

IDEOLOGIES AND AMERICAN *Labor*

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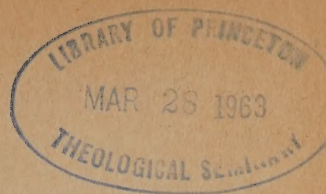


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IDEOLOGIES AND AMERICAN LABOR

IDEOLOGIES
AND
AMERICAN *Labor*

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PAUL K. CROSSER

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TO
F. S. M.
IN MEMORY

PREFACE

EACH SUCCEEDING GENERATION tends to save itself the formidable labor of re-thinking an explanation of how things hang together and work. Batches of knowledge relating to different historical periods are picked up from various sources without any attempt of appreciation of the historical relevance of thought.

In our own time the cumulating speed of scientific and technological change has encouraged a tendency to feel that such things as the systematic intellectual framework of living ahead could be disregarded. The United States, in the vanguard of this stream of technological advancement, has been peculiarly content to identify technological with social progress.

The political, social, and economic crisis of the world is indicative of a crisis in the sphere of social thought. The understanding of the complex social problems calls for a broadening of the approach. It demands an integration of the departmentalized fields of social science, in particular of sociology, economics, and history. A systematic outlook on the future calls, furthermore, for a correlation of theory and practice which have been left dwelling in different worlds. If thought is sterile without contact with the lives of men, action stands no less in need of the systematic backing of thought.

It is in this spirit that the present volume seeks to clarify the links that exist between systems of thought and the historical actors and policies in the American Labor scene. It

presents, moreover, an attempt to integrate the sociological, economic, and historical approach to the labor problem. Since the labor problem lies at the bottom of every social problem, this study can be regarded as a move towards re-interpretation of our whole matrix of social thought. It puts many familiar concepts in a new perspective.

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PAUL K. CROSSER

Teachers College
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IDEOLOGIES AND AMERICAN LABOR

SCHEME OF THE INQUIRY

IDEOLOGIES

	SCHEME OF THE INQUIRY		
	I. HARMONY IN THE ESTATE	II. BALANCE IN MARKETING	III. STRUGGLE AMONG CLASSES
<i>The body politic; Economic relations; Social structure:</i>	<i>Main Representatives:</i> Thomas Aquinas	Thomas Hobbes	Karl Marx
	1. Ecclesiastical authority and secular freedom	1. Secular sovereignty and contractual liberty	1. Dialectics of the social process
	2. The just price of labor	2. The natural price of labor	2. Wage slavery
	3. Social equality	3. Economic equilibrium	3. Dichotomic society
<i>The body politic Economic relations Social structure</i>	TYPES OF AMERICAN LABOR RELATIONS		
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	1. The fraternal journeyman	1. The liberating entrepreneur	1. Parliamentary rebels
	2. The benevolent master	2. The contracting unionist	2. Integral unionism
	3. Economic solidarity	3. Social security	3. Social transformation

INTRODUCTION

THE TERM 'ideology' is used in this book to denote a logical system of ideas.* The difference between an 'ideology' and a 'theory' is that an ideology is a theory placed against a political, economic, and social background. While a theory merely states a causal-genetic relationship, an ideology is teleological in its very postulation. Many theories can be evolved under the ægis of one ideology, since an ideology comprises a complexity of ideas, the ramifications of which are varied. A theory enters the realm of an ideology when the question, 'How did it arise and develop?' is supplemented by the question, 'For what social purpose?' In this sense ideology could be termed a system of social objectives. A theory can be evolved for both Natural and Social Science. No ideology is conceivable, however, within the realm of Natural Science. The social direction of technology, which deals with the tamed forces of Nature, does not lie within the domain of the Natural Scientist. The implementation of the causal relationship of the forces of Nature for the social purposes of men is a sphere reserved for the ingenuity of the Social Scientist.

The life and death period of ideological concepts does not coincide with the life and death period of the historical

* This use of the term discards the psycho-biological interpretation of ideological analysis because, in this writer's view, it impedes a logical understanding of social issues. The psycho-biological approach, which dates from the times after the French Revolution, found one of its earliest representatives in Destutt de Tracy's crude *Elémens d'Idéologie*. Karl Mannheim's recent *Ideology and Utopia* exemplifies a more refined psychological approach. Compare also the statement on Boehm-Bawerk in Chapter 8.

epoch that gives rise to them. Conceptualization always proceeds *post factum*, with the result that there is a continuous lag to be observed between contemporary existence and contemporary thought. This lag can be shortened, but it can never be eliminated completely.

In the field of labor relations, the subject of the present volume, it will be seen that ideologies that originated in different historical periods continue to maintain their grip on the American industrial scene. It matters not that birth-places of ideologies are not within the national boundaries of the United States, for we are dealing with the Western cultural matrix, of which the culture of the United States is a part.

The three principal ideologies regarding labor derive from the three principal ideologies evolved in the period of Western culture dating from the first century of the present era. The limitation to three is not a whim of the writer. During the era of Western culture, three massive expressions of the social purposes of men have arisen in sequence: the first built around the goal of an internal harmony among the parts of society; the second aiming at an equilibrium of conflicting interests; and the third embodying the struggle of the warring interests for dominance. These three historically determined systems of social thought will be treated respectively in the pages that follow, under the ideologies of Harmony within the Estate, Balance in Marketing, and Struggle among Classes.

The peak of the historical period when the ideology of Harmony in the Estate was dominant was reached in the thirteenth century. The second basic ideology, Balance in Marketing, developed gradually from its first germs in the fourteenth century to its height in the seventeenth century. The ideology of the Struggle among Classes emerged in the nineteenth century. While the ideology of Harmony in the

Estate was exclusive, the ideologies that came into being in the subsequent periods were not. This made it possible for all three ideologies to become effective in the society that evolved after the establishment of industrial capitalism in the United States following the Civil War.

Although it may be contended that the ideology of Balance in Marketing in the type form of economic liberalism has been the dominant ideology in post-Civil War America, this view cannot hold for the future. The free land of the frontier, an unceasing stream of immigration, and an unsaturated market at home and abroad gave social life in the United States its peculiarly liberal accent. All three of these favoring factors have now failed, and with their decline the basis for the claim that America is the land of self-perpetuating liberalism has been greatly weakened. The potentialities both of the ideology of Harmony in the Estate, in the form of paternalism, and of the ideology of Struggle among Classes, in the form of revolutionism, should not be underestimated for the future of America. Thus all three American types of labor relations—paternalism, liberalism, and revolutionism—are present today, representing the three major historical types of ideology, and all three may be treated on the same methodological level.

The outline on page xii reveals at a glance the general structure of the volume. The procedure employed will be, as far as possible, to let the outstanding representatives of the particular ideologies and of their related types of American labor relations state their own cases. In Part I (Western Ideologies), the three divisions in the approach—political, economic, and social—correspond to three different divisions in the presentation of the systems of thought. Part II (Types of American Labor Relations) does not, however, permit of this procedure. In the latter, we do not find the ideologies in their original context; and it is even difficult at first to

distinguish one typical embodiment of an ideology from another typical embodiment. In the second part, therefore, the political, economic, and social aspects are merged. A glance at the lower part of the chart referred to above will make this methodological distinction of the first and second parts of the book clearer.

Concerning the commentaries of other writers on the statements cited in this treatise, the author has observed that a great many writers relate concepts of one period of history to concepts of another period without referring to the historical background. This is an exercise in logic without any significance for the socio-historical understanding of the concepts. Commentaries of this nature are excluded from this book, the crux of which lies in the historical correlation of concepts. Another type of writer claims the validity or the nonvalidity of the historical concept on the ground that it corresponds or does not correspond with the allegedly absolute concept in which he is particularly interested; neither is this a contribution to the kind of inquiry into the historical relativity of concepts that is attempted here.

Needless to say, in so wide a study employing the systematic comparative historical method, no claim is made to the exhaustive presentation of all relevant empirical data. Nor is it within the scope of the present study to present exhaustively all the ramifications implied in this line of reasoning. Anxious to preserve a systematic interrelation among the principal features of the pattern, the author has restricted himself to the principal factors of a broad picture.

As his social objective, the writer sees the advancement of a logico-historical understanding of the basic social issue of all times, the labor problem, bringing it to a level where the great thinkers of humanity have placed it. All existing types of labor relations in America are referred to their historically determined ideological roots.

PART ONE

WESTERN IDEOLOGIES

I. HARMONY IN THE ESTATE

1

ECCLESIASTICAL AUTHORITY AND SECULAR FREEDOM

IN THE SPIRITUAL BATTLE between Christianity and its opponents in the first century of the Christian era, the attention of the proponents of Christianity was directed towards the hope of a final advent of the Lord for the deliverance of a sinful world. Subsequently the ideologists of Christendom gradually shifted their attention from the world of eternity to the temporal world. The church historian Uhlhorn characterizes this transformation of thought as follows: 'Without letting go the hope of the final advent of the Lord, the Church entered upon its historical development and its citizenship on earth.'¹

The period of worldliness in the intellectual leadership of the church was firmly established in the fifth century by Augustine, after Ambrose in the preceding century had made preliminary steps in that direction. Augustine attacked the pseudo-Christian gnostic sect of Manicheans, which preached that the temporal world was doomed. According to it, the only activity left to humanity was, through self-destruction, to bring closer the day when this world would come to an end. In his argument against these pseudo-Christians, Augustine made use of Platonic transcendentalism. He made Christianity a living force in society by pro-

claiming that 'Our course is a constant progress.'² This progress was conceived by Augustine as the gradual approaching of 'the City of God,' in which all unbelievers would be converted. Until that time came, the church authorities were to guide all phases of social life and individual activity.

The integration of ecclesiastical authority was the implicit aim of Augustine's literary activity, and the crux of his argument appears in his discussion of free will. His opponent Pelagius 'wishes,' he says, 'to give the power of good living to free will.'³ Augustine argues that with God alone rests the sovereign power over the human will. The medium by which this force reveals its will to humanity is the grace of God. But grace, Augustine maintains, is not given 'according to merits,' because such a conception would in itself mean an infringement upon the sovereignty of the Deity in its beneficent power to extend grace to humanity. 'Unless this power be given from God, out of free will there can be none.' Yet man is sinful, and in evil, according to Augustine, 'he has a free will.'⁴ Thus man is not deprived of free will altogether in Augustine's conception: he has responsibility for his evil acts, but in the choice between good and evil man is thrown upon the grace of God. This exposition placed high authority in the clergy, who were viewed by Augustine as the legitimate interpreters of the fitness of human activity.

Ideologically, Augustine arrived at the greatest unification of authority in the church over the totality of individual life. He certainly could not have agreed with Cicero, who saw in secular authority the embodiment of earthly justice. To Augustine the established Church of Christ was the embodiment of both civil and ecclesiastical authority. The social prerequisite to this unification of authority was the gathering under the ægis of the church the varied social strata set adrift by the breakdown of Roman society. Augustine describes this process as follows: 'But now there came into

this profession of the service of God . . . persons from the condition of slaves . . . persons on this account freed by their masters . . . likewise peasants and handicraftsmen.’⁵ And Augustine is keen in observing that these elements came to the church not only for spiritual security but for economic security as well: ‘For it doth not appear whether they come for the purpose of serving God, or whether, running away empty from a poor and laborious life, they want to be fed and clothed.’⁶

The consolidation of the totality of social life within the life of the church progressed till the time of the Crusades. The mobility of the population, which was stimulated by the Crusades and by the wealth acquired by the Crusaders, gave impetus to the rise of communities whose social and economic activity was not entirely controlled by the ecclesiastical authorities. Besides the relation between ecclesiastics and lay individuals, there developed a new type of relationship, that of individual to individual. The ecclesiastics had to shift their attention once more, this time from the relation of man to God to that of man to man. A revision of the conception of ecclesiastical authority proceeded gradually along with the tide of social development. We find the integration of this new trend in ecclesiastical thought expressed in the second half of the thirteenth century by the Dominican scholar, Thomas Aquinas.

Among Aquinas’s predecessors, we should not forget Anselm, Archbishop of Canterbury, who was ‘accustomed . . . to translate dogmas into rational concepts.’⁷ The writings of the rabbinic philosopher Maimonides and those of Arabian Mohammedan ecclesiastics moved in the same direction. Not least had Thomas been influenced by his teacher, Albertus Magnus, the founder of the school of Cologne. But overshadowing all these critical thinkers stands the spirit of the great Aristotle, who had been the first to turn away from

Plato's transcendentalism to face the world of realities. Not that Aristotle disregarded the transcendental; rather, he was reluctant to abandon the empirical world of his time in order to seek refuge in ahistorical conceptions. He sought to comprehend historical reality in an effort to find a logical basis for the social order. Aristotle's realism, combined with his moderated transcendentalism, constituted an approach that the church welcomed during the period of its secularization as a useful intellectual instrument.

Thus the principle that permitted Aquinas to abandon transcendental universalism and to think in terms of the plurality of human relations was 'the conciliatory and almost nominalistic form of Realism which was taught by Aristotle, and according to which the universal is in reality immanent in the individual.'⁸ Aquinas maintains that the active power and knowledge of God 'extends itself not only to forms which are the source of universalit', but simultaneously 'to singular things which are individualized by matter.'⁹ This concept, although admitting the reality of the existence of the individual, maintains the congruity of individualized matter and universal form, thus avoiding the drift into materialism. Such an exposition permits Aquinas to claim divine sanction for all human action. Accordingly, 'God . . . is the first cause.'¹⁰ Yet—and this is the break with the Augustinian conception—he conceives of a rational yardstick for secular human action, which is based upon the correlation of means to ends. Aquinas established the rational autonomy of the human will within the secular sphere, although he nominally still kept the tie with divine sanction.

This intellectual effort signaled the establishment of an era in which social life was determined, in the first instance, by the relations of the individual to other individual persons, and only secondarily by the relations of the individual to the ecclesiastical authority. While full happiness, 'the final end

of man,' continued to be in Aquinas's eyes the 'immediate vision of God,'¹¹ this contemplative life was reserved for the Christian philosopher. The common layman was urged to devote himself to his secular vocation and to secure God's blessing in the pursuit of his vocational ends. These ends Aquinas did not conceive as arbitrarily individualistic; he regarded them as an integral part of the community of interest within the existing social hierarchy. The social harmony that Aquinas visualized was based on the assumption of the conformity of prevailing customs with communal ends. Those ends were historically developed in town communities comprised of artisan shops, where the owner and operator worked with one or two apprentices who had a fair chance to establish their own artisan shops after their training period was over. There was no serious ground for conflict between the owner of the establishment and the future master. As the Thomist church withdrew from direct interference with the mutual relationships of the master artisans, the possibility of conflict between ecclesiastical authority and artisanship was further removed. This was the basis for a concept of social harmony in the time of Thomas Aquinas. Like any such concept, it was based on the assumption of a static social order; and this is its principal limitation, even if the relatively slow pace of social change during this historical period is fully recognized. For social conditions are never static, and they had already changed during the period we have been discussing. Yet we are justified in using the static assumption if we conceive of extended periods of time, in which basic trends moved very slowly. Aquinas gave expression to the social thought of a period at its culminating point, before a new and drastic change occurred. His gift was for summarizing an outgoing epoch, rather than for anticipating an epoch to come.

Aquinas's concept of artisan harmony has nevertheless been

made a particular favorite in the era of rising industrial society. Industrial labor strife has been condemned over and over again for not complying with the co-operative spirit of the two-man artisan shop. It is significant that economic inquiry into the Marketing Order was conducted, until the end of the nineteenth century, under the assumption of a static society. Up to the present, the dynamic approach to economic investigation has been held by marketing economists in a rudimentary stage. The revolutionary implications of a dynamic analysis, as presented by Marx, may have caused the marketing economists to proceed cautiously.*

After Aquinas's death, the small artisan shop, which he used as a socio-economic type in picturing a community structure, became less and less representative. Artisan shop units with five or more apprentices under the control of one master became more and more typical. The chances for the establishment of the apprentice as master in his own right grew increasingly unlikely. The pressure of the growing population again exceeded the absorptive capacity of the established social order. We approach the centuries of guild struggles. To alleviate the social pressure, trading companies sought extension of the limited area of economic activity, and speculative undertakings undermined the regulations imposed by custom and sanctified by tradition. This move into the exploratory stage of a new social order called for a revision of the static approach to society that had been articulated by Aquinas.

It was the subtle Franciscan scholar, Duns Scotus, who, at the turn of the thirteenth century, took the lead in de-

* A systematic attempt at a dynamic approach to economic theory has recently been made by Joseph Schumpeter in his *Theory of Economic Development*. In following Max Weber's suggestion, he deliberately disregards ideological factors; Schumpeter, nevertheless, very definitely accepts the marketing pattern of economic thought with its claim to universal validity.

veloping a dynamic approach to the emerging new social order. He thus removed the ideological barriers that had been erected by Aquinas. Scotus challenged Aquinas's conception of the congruity in essence of the individual and of the universal. He questioned Aquinas's assumption that there were no 'separate forms which exist as individual essences,' by advancing his own assumption that 'individuality depends upon some kind of material existence.'¹² By this thesis Scotus tends towards materialistic realism, severing the direct link between the material and the transcendental worlds, which Aquinas was so anxious to preserve. This concept established the sovereignty of the individual over the universal, while Aquinas had granted the individual only autonomy. In consequence, Scotus freed the individual from the constraint put upon his actions by the need, implied by Aquinas, to harmonize the human will with the foreknowledge vested in Deity.

But Scotus was far from proclaiming the arbitrary rule of the human will. (The determinism of Scotus has been effectively defended by P. Mingès, an ecclesiastical commentator, against the indeterministic interpretation offered by the secular commentators, Dilthey and Eucken.¹³) In conformity with Socrates Scotus declared: 'Not malice, not ill will, but fallacies are the real cause which effect error.'¹⁴ This passage implies the rational correlation of means to ends in human activity. We find this principle also stated by Aquinas, but while the latter, in conformity with his static conception of society, implied the ends given, Scotus, in line with his dynamic approach, placed even the ends within the power of human choice. It may be argued that the determination of ends by the individual human being is bound to lead to arbitrary decision. But this argument can be neutralized by the realization that, in making the choice of ends, the human being is referred by Scotus to

the Socratic principle of relating ends to conceivable means. His principle is an analytical instrument for any progressive thought. It is not accidental that later the Jesuits were particularly anxious to have the social ends removed from the sphere of discussion.

Scotus's analysis of human activity was a signal for the complete withdrawal of ecclesiastical authority from the secular sphere. This retreat was symbolized by the transformation of the Franciscan and Dominican monasteries from centers of economic activity into places of mere learning. The change implied in principle the investing of the secular authority with the full sovereignty of action. It opened the way for the loosening of customs and traditions, the relaxation of guild rules, and the lifting of general restrictions on social mobility. Human will was declared free from ecclesiastical restraint, for the exploration of new ways of life. Under such a redefinition of spheres, social adjustment might have been achieved without resort to brutal force. That this result was not effected was owing to the refusal of powerful circles of ecclesiastical officialdom to part with privileges bestowed on the church in the past in return for once-useful services by the church to society. As the centuries passed, the execution of these privileges was based less and less on their original socio-historical significance. Symbols of ecclesiastical authority finally degenerated into means for social abuses.

Two hundred years after Scotus had raised his warning voice, enlightened spirits under the leadership of Desiderius Erasmus rallied to the defense of ecclesiasticism by admitting the abuses and urging their elimination. They succeeded only partially in saving the Catholic church as a social institution. In those parts of Europe where the exploratory spirit visualized by Scotus had made the greatest inroads, social conditions required a more drastic change

in the ecclesiastical authority than a mere refraining from recognized abuses.

The most vociferous opponent to the established church arose in the sixteenth century in the person of the Augustinian monk, Martin Luther. Despite the mediating efforts of his scholarly friend, Melanchthon, the rebellious monk became utterly determined to create a new religious institution completely independent of the papal hierarchy. Luther may have been encouraged in his task by the sight of the wholesale breakdown of social authority during the period of the German peasant war. Although he opposed the peasant rebellion, that struggle probably taught Luther, a peasant's son, that authorities are established and are torn down with the change of time and social conditions. No doubt William of Occam's nominalism had done important preparatory work in undermining the traditional views of the church. Luther showed keen insight in realizing that the symbol of free will was to become of basic importance in the ideological foundation of the new institution he was about to create. He studied ardently Erasmus's *Diatribes of the Free Will*, one of the few writings of the papists he troubled himself to digest. And he occupied himself with the preparation of an answer, embodied in his polemic essay, 'The Bondage of the Will.' The importance Luther attached to this essay may be gathered from his remark that he would not care if all of his writings were to perish 'save the "Catechism" and "The Bondage of the Will."' ¹⁵ His argument against Erasmus culminates in a passage of this polemic, which climaxes centuries of discussion of free will by the intellectual leaders of ecclesiasticism:

The human will is like a beast of burden. If God mounts it, it wishes and goes as God wills; if Satan mounts it, it wishes and goes as Satan wills. Nor can it choose its rider, nor betake itself

to him it would prefer, but it is the riders who contend for its possession. This is the acme of faith, to believe that God, Who saves so few and condemns so many, is merciful; that He is just who has made us necessarily doomed to damnation, so that, as Erasmus says, He seems to delight in the tortures of the wretched and to be more deserving of hatred than of love. If by any effort of reason I could conceive how God, Who shows so much anger and iniquity, could be merciful and just, there would be no need of faith . . . God foreknows nothing subject to contingencies, but He foresees, foreordains, and accomplishes all things by an unchanging, eternal, and efficacious will. By this thunderbolt free will sinks shattered in the dust.¹⁶

After this lightning stroke, the symbol of free will gradually passed from the forefront of ecclesiastical discussion.

Luther threw the individual human being upon the grace of God, leaving the ecclesiastical authorities with little claim of divine commission. In his attempt to repudiate the authority of the Catholic church, he went so far that he left almost no place for any ecclesiastical authority whatsoever. When Augustine had proclaimed the principle of grace, the church had an actual grip over the totality of social forces that moved under the direct control of the ecclesiastical authorities. When Luther took refuge in the same principle a thousand years later, the social forces were moving in the opposite direction, away from the church. In order to rally these forces back to the church, Luther took refuge in the strong arm of the state. He placed the authority that he had taken from the established papal church under a secular body. Zwingli proceeded with the same principle in placing the authority of the church with municipal bodies. Calvin drew the Protestant church back to the community of the faithful. It was not the re-establishment of a supreme ecclesiastical authority, however, that Calvin had in mind. He merely substituted a voluntary body for Luther's compul-

sory body. Calvin, like Luther, let the individual remain dependent upon the grace of God, with his salvation dependent upon his own conscience. The human being was not only freed in his secular actions; he was left to his own judgment in matters of belief and disbelief. The church became a social institution along with other social institutions. The secular social hierarchy began to replace the ecclesiastical hierarchy in dominance.

The institutional change effected by the gradual withdrawal of the ecclesiastical authority from the control of worldly life made the church place more emphasis on the mystery of eternal life. It was in a sense a rededication of the church to the role that it had assumed in the first centuries of its inauguration. While in the Middle Ages the church had been the center of all economic, social, and political life, it became at the close of the Middle Ages merely a place of meditation. But meditation is, as Aquinas has stated, an occupation primarily for philosophers. The common layman continued to call on the church for secular guidance. The indoctrination of the masses with secular principles proceeded extremely slowly. Only the most enlightened spirits were thinking in ideological terms of the Marketing Order. Until general secular public education was introduced towards the end of the nineteenth century, the mass of the population in Europe and America was ideologically educated solely in the principles of the church. This ideological discrepancy burdened the church with secular responsibilities, which it had previously abandoned. Aquinas's concepts of the artisan community life were thus reintroduced in the rising marketing society. The United States entered the historical scene in this era of neo-ecclesiasticism. The impact of Christianity on American social relations and on labor relations in particular remains a major factor.

2

THE JUST PRICE OF LABOR

THE CHURCH, striving towards complete social control, had to accord particular attention to the production of worldly goods. The artisan master and his journeyman, representing the body of production of medieval society, have received most considered treatment by the Christian theologists. It should be realized that the existence of the church itself as an institution was dependent upon the extent of economic support it received from those who produced material wealth. The ways by which the church secured this support varied, and these variations reflected changes in the social structure of medieval society. A focal point in the variations is presented by the controversy over the question of what constitutes the just price for labor.

With the breakdown of the agricultural slave economy of the Byzantine and Roman worlds and the increasing acquisition of land by the ecclesiastical authorities, the church fathers had had to take the lead in providing not only spiritual guidance for the new converts but economic security as well. In this era of ecclesiastical authority, the monasteries were re-dedicated. They came to function less as places of refuge for hermits and more as centers of economic activity. The latter aim was a means of making the ever-growing army of the faithful self-supporting. The creation of monasteries as centers of organized work began in the fourth century in the colonial regions of Asia Minor

and Egypt. These regions, kept for purposes of exploitation for the benefit of the Byzantino-Roman motherland and left without economic reserves, felt the inception of disintegration of Byzantino-Roman society earlier and more keenly than the motherland itself. Pachomius (died about A.D. 346) must be regarded as the initiator of organized work in the monasteries, while Jerome (died A.D. 420) was most instrumental in spreading the application of Pachomius's rules of working discipline to other monasteries.

From reports that have come down to us, we learn that the monks busied themselves not only with agricultural tasks and the preparation of meals, but with a variety of handicrafts as well. We learn from Pallade that in a single representative monastery of his time, that of Akhmin in Upper Egypt, there worked 'fifteen tailors, seven blacksmiths, four carpenters, twelve fabricators of ropes, and fifteen fullers.'¹ Many artisans began to come to the busy monasteries from the outside world. We gather from a report concerning the organization of bread-baking in the early monasteries² that the division of labor there was fairly highly developed. The nunneries were busy in 'spinning, weaving, and sewing' cloth.³ The imposition of the rigorous work discipline, as laid down in the rules of Pachomius, did not always proceed smoothly. The resistance to the transformation of the monasteries from places of contemplation to centers of work was widespread. We hear from Shenoudi, an ardent administrator of a laboring monastery, that the monks who did not comply with the work discipline were expelled from the monastery. A new ideology of work had to be created in order to break the opposition, and this task was undertaken by Augustine, the gifted bishop of Hippo.

Augustine's essay 'On the Works of Monks' may be re-

garded as laying the foundation for the sanctification of labor by the authority of the Christian church. The bishop approaches his task with a reference to the tenet proclaimed by the Apostle Paul, 'If anyone will not work, neither let him eat.'⁴ This principle had been commented upon by those ecclesiastics who opposed bodily labor in the monasteries with the following argument: 'It is not of this corporal work in which either husbandmen or handicraftsmen labor, that the Apostle gave precept. For he could not be contrary to the Gospel, where the Lord himself saith, "Therefore I say unto you, be not solicitous for your life, what ye shall eat, neither for your body, what ye shall put on it. Is not life more than meat, and the body than raiment?"'⁵ Augustine asked the following questions of these commentators: 'Why do these persons want to have idle hands and full repositories? Why do they lay by and keep what they receive of the labors of others, that thereof may be every day somewhat forthcoming?'⁶ This latter question supports the argument for bodily labor with an appeal to social solidarity. The view of the social inferiority of bodily labor induced Augustine to heighten the social status of the bodily laborer, by referring to the patriarch 'who fed cattle' and to the Greek philosophers 'who were shoemakers' and to Joseph of Bethlehem 'who was a carpenter.'⁷

The forces that opposed Augustine in his efforts to sanctify manual labor claimed the early tradition of Christianity, which had aimed at hastening the destruction of the social structure of the pagan world. Augustine saw the old social order already in full disintegration, and he threw his whole spiritual might into a constructive approach to a new social order. The concrete situation that confronted him was the need to organize self-contained economic units within the walls of the monasteries. This type of economic unit did not differ essentially from the former slave latifundian entities

that they were to supplant. Although, as already noted, artisans entered the monasteries to work, we do not find any individual artisans within the monasteries working independently on their own account. A general production plan was laid down by the administrator of the college of brothers and sisters, and this plan was carried out under general supervision. The chronicler reports, 'Those assigned to the same task have been assembled under a common chief,'⁸ who, we may add, had supplanted the overseer of the latifundian unit of the slave economy.

The question arises here how economic efficiency could be attained under ecclesiastical leadership, while the same type of organization of work had collapsed in the pagan world. The answer is to be found in the luxurious appetites of the owners of the latifundia, the militaristic adventures of the political administration, and the poor supervision of the work process under absentee ownership. These evils the Christian fathers tried to eliminate by an appeal to asceticism and, as Augustine did, through sanctification of bodily labor. To speak in modern terms, the change amounted to a change of management and management personnel relations, supported by a new social objective. This last involved the awakening of a new and unfamiliar spirit of social solidarity postulated as social duty. The purpose for which man worked had been shifted, although the technical methods of production remained the same. The comparatively favorable economic results bore witness to the effectiveness of this change in social projection. The building of any new social order depends greatly upon the institution of a new work morale.

The self-sufficiency of the monasteries made an exchange of their products an infrequent occurrence. It was likewise exceptional for products of other kinds than those produced within the individual monasteries to have to be purchased.

The monastery was an enlarged household unit, in which everybody worked and consumed according to rations laid down in regulations and enforced by the administration. It is not surprising, therefore, that Augustine, in dealing with the problem of work in the monasteries, had little to contribute to the question of its pecuniary reward. He contents himself with quoting the opening passage from the tenth chapter of Luke, which advises the worker to enter a household and join in its common life, 'for the workman is worthy of his hire.' To Augustine the economic side of life was to be cared for simply, by joining and participating in the monastic household economy. The valuation by the consumer who is himself the producer is the common determinant of Luke's and Augustine's view on the just price.

This relatively simple period of labor relations involved in the concentration of the dominant portion of artisanship in the monasteries under ecclesiastical direction was but a transitory phase. It was followed by the artisan's freeing himself from the economic leadership of the ecclesiastical authorities—just as he had earlier been freed by ecclesiasticism from the domination of the Byzantino-Roman slave owners. This change involved the individual artisan's working independently on his own account, and the resulting interchange of products among artisans. Unlike the shift from the slave *latifundia* to the monastic workshops, just described, this shift to independent artisanship constituted a basic change in the type of economic organization. The artisan obtained his freedom from complete ecclesiastical control by settling in town communities. The economic significance of the town communities of his time was well understood by Thomas Aquinas. He had ample opportunity to observe his contemporary world during his prolonged stays in the most advanced parts of the Europe of that time—Cologne, Paris, and Rome. In expounding the town econ-

omy of his time, Aquinas draws away from the idealization of the household economy: 'Admittedly there is a certain possibility of meeting the necessities of life, such as nourishment, production of progeny, and other things of that kind, through family co-operation in a household. In reference to things belonging to skills and handicrafts, I state, however: one has the possibility of meeting all necessities better in the town, which is the perfect community.'⁹

This acceptance of the town as an autonomous economic unit implies a conception of labor that has been freed from the control of ecclesiastical authorities. It signalizes the passing of an epoch of unemancipated labor, with slave labor its characteristic in its first period and monastic restraint of labor in its later. This change in approach required, in turn, a re-examination of the social concepts that had been built around the economy maintained by means of unemancipated labor.

The foremost ideological exponent of an economy characterized by unfree labor had been Aristotle. It was necessary to refute his concepts in order to effect the fundamental change. In this task Aquinas was greatly aided by Albertus Magnus, the founder of the school of Cologne. Albertus attacked Aristotle's conception of the socio-economic process by dealing with the value concept.

Aristotle had advanced the view that: 'The performance of the arts and trades would be impossible if the activity of one part did not meet a ready acceptance by the other part with regard to size and make-up' and if 'everybody who produces something did not find somebody who needs the product.'¹⁰ While we see in Aristotle's exposition the elements of both the utility and the cost-of-production concepts, the concluding emphasis is laid upon the subjective utility of the material object. Magnus, in his comment upon Aristotle, shifted the emphasis to the objective factor of the

cost of production: 'That equal amounts of labor and costs are to be exchanged with each other, in order to maintain equality of effort and counter-effort. Because if the producer of beds does not receive in quantity and quality as much as his expenditures for those, he will not make beds in the future. This will destroy the craft of bedmakers. Similar is the situation with the other crafts.'¹¹

Aquinas followed Magnus's exposition of the value concept in his own commentary on Aristotle's *Ethics*. It is of paramount importance that labor in this nexus was made a constituent part of the factor of cost of production. It signified the turn from labor disposed of by the slave owner to the laborer disposing of his labor power by his own rational will. It is in conformity with the change of the social outlook on labor that Aquinas accepted the hire of labor as a legal basis for the disposal of labor power. This meant breaking with the previous conception of the sale of the laborer as the property of the slave owner. In Aristotle's view, labor remained an attribute of the slave owner and was therefore not entitled to consideration on its own merits. In consequence, Aristotle had to place the emphasis on the subjective factor of the value concept. It is true that Augustine also had accepted the subjective-utility concept as the basic determinant of economic value, but his view was directed towards the self-sufficient economic unit of the monasteries, with no allowance made for the process of exchange with the outside world. To Augustine, producer and consumer were identical in all phases of the economic process; and he, therefore, could have been exempt from taking a stand on labor as itself determining economic value. Aristotle, however, did not restrict his concept of economic value to the scope of the self-sufficient household economy; he conceived of an exchange of commodities as a normal part of the economy. The body of producers was not

identical with the body of consumers, in his view. Hence he had to take a stand on the elements of the process of production for the purpose of their evaluation in the process of distribution. He took this stand in line with the slave owner, for whom labor as an autonomous determinant of economic value was inconceivable. For this reason Aristotle had to give the cost factor a second place as value determinant, leaving to the slave owner the right to determine the value according to his own privileges and desires.

Just as the utility aspect in the determination of economic value is subject to historical conditioning, so consideration of the cost of production varies with the change of the historical background. Leading marketing economists do not seem to have realized this. Ricardo has treated the cost-of-production principle as a universal concept; Boehm-Bawerk elevated the consumptive-utility approach to the heights of a universal concept. The disregard for the socio-historical relevance of the value concept led Max Weber to suggest its total elimination from economic theory. This is of course a nihilistic proposition that would deprive economists of one of their basic generalizations. Although Weber recognizes the sphere of ultimate moral values, he preserves the nihilistic character of his 'value-free economics'¹² by keeping these ultimate values detached from economic evaluations.

Costs of production, as conceived by Magnus and Aquinas, are those of the artisan shop, which they regarded as characteristic of the town economy of their time. Yet Aquinas's concept is confined to the master artisan, as principal agent in the socio-economic process. No mention is made of the journeyman, who could have been regarded as merely completing his apprenticeship in Aquinas's time and hence owing reward to the master rather than having a pecuniary claim upon him. The confinement of the concept of costs

of production to the labors and expenses of the master artisan required on the other hand a restriction of the speculative spirit of the trader. Realizing that the exchange process could not be avoided in an economy of interrelated artisan shops, Magnus did not oppose the exchange of commodities in itself. He conceived of the exchange process as a mere supplement to the activities of the individual artisan producer. In doing so, he concurs with the view of his time, maintaining a strict distinction between the sale of one's products and the turnover in the products of others. This last view, Magnus's disciple Aquinas regards with suspicion. He grants the professional trader only refund of expenses and reward of labor expended, thus placing him on the same economic footing with the producing artisan.

The limitation of the cost of production to the economic activity of the artisan shop made it possible for Aquinas to conceive of the 'just price' as the outward expression of the cost principle. In the exchange process the objective, according to Aquinas, consisted in equalizing 'thing with thing, so that one person should pay back to the other just so much as he has gained out of that which belonged to the other.'¹³ This conception of exchange does not allow for any essential difference between exchange value and costs, but implies their congruity in each given instance. It precludes a money economy, in which the medium of exchange plays its own part in the determination of economic values. Money is regarded by Aquinas merely as an aid to the exchange process, and credits are placed on the level of personal loans to which the rules of charity, rather than economic expedience, apply. Conforming with this concept was the ban on usury. The pronouncement of this ban, to which Aquinas adhered, is to be regarded as a consistent application of the principle of just price in an economy dominated by master artisans. The artisan concept of just price retained

its grips over social life long after the exploratory spirit had released the industrial revolution. Contemporary Catholic economists, as represented by Heinrich Pesch, attempt a re-interpretation of the Thomistic just price of labor in marketing terms.¹⁴ On the other hand some secular economists, such as Lujo Brentano, regard the just price as an ahistorical expression of Christian morality.¹⁵ These theoreticians work under the assumption that the Thomistic just price of labor is a concept valid for all times and conditions. They thus discard the fine sense of historical relevance expressed by Aquinas and the ideological setting in which he worked.

Aquinas gave the conception of the social process a consistently artisan interpretation. He wrote at a period when the two- and three-man artisan shop was a dominating feature of the socio-economic structure. Yet signs of the transformation of the artisan economy into a merchant economy had become clearly visible. The merchant pressed for a redefinition of the economic process that would recognize the benefits of his service to the community on its own merits. Duns Scotus saw the necessity of giving society a broader view of the exchange process, extending beyond the craftsman-artisan conception of Aquinas. To Scotus exchange value and cost of production are not necessarily congruent. He grants the legitimacy of an advantage taken by either party in the commodity-exchange process. He refers to the parties to an exchange as contracting parties, thus severing the direct link between the processes of production and exchange. This amounts to a recognition of the autonomy of the economic actions of the trader. Along with the master artisans appeared the master trader, who was dealing with the commodities produced by a variety of artisans. Yet Scotus did not break with the concept of just price in which labor was a constituent part on its own merit. He was particularly opposed to legitimizing the spec-

ulative spirit of the money economy with usury as its symbol. Nevertheless—and this is important—he shifts the emphasis on the determination of the value to the subjective side.¹⁶

Although Scotus implicitly refers to Augustine, the historical background of his period gives the subjective-value concept a quite distinct meaning. Scotus's utility value signifies the value attached to the product by the trader, in contradistinction to the use value attached to the product by a self-sustaining monk at the time of Augustine. Although Scotus does not mention Aristotle, it is clear that his value concept differs from that of the latter not less than it does from that of Augustine. Aristotle's use value, as already pointed out, was that of the producing slave owner, while Scotus's use-value concept cleared the way for the free contracting trader.*

Scotus, who tried to fall in line with the new era of secular development, was anxious not to break completely with the ecclesiastical authorities. He gives his thought a historical link with the writings of all the ecclesiastics who preceded him. The break was instituted by Martin Luther, who completely reversed the logico-historical line of thought. Luther's aim was a destructive one, for he sought to abolish the existing ecclesiastical authority. To him, just price as a reward of labor on this earth was pure nonsense; he speaks of the grace of God without any claims of merit by the producing individual. Paradoxically, his ambition included the destruction of the very monasteries whose conception of the grace of God he tried to restore. He used Augustine with little historical appreciation. Calvin, although repeating Luther's statement on the grace of God as embracing all

* The contemporary use-value concept of the Marketing Order is institutionally related to the capital-owning producer. Within this historically and ideologically determined framework, Boehm-Bawerk's and Jevons's concepts of marginal utility may be considered valid.

human activity, did not disregard the social development of his own day. He granted the secular demand in admitting usury, although making the reservation that it was a necessary evil. Nevertheless, by his toleration of usury, he gave way to the money economy that was gradually displacing the trade economy of the time of Scotus. This ideological development was significant, for it supplanted the medieval process of accumulating wealth by hoarding, with speculative accumulation out of market gains.

Calvin and Luther rejected the concept of the just price of labor, which was no longer functional since the artisan economy that had formed its social background was breaking down. They could not, however, develop a new conception of labor reward because a new organization of production had not yet arisen. The change in the economy Calvin and Luther faced was a change in the process of circulation. To these ideologists of late ecclesiasticism, the hired laborer was a temporarily displaced journeyman, who was referred to the care of the wealthy master.

SOCIAL EQUALITY

ANY SOCIO-HISTORICAL INTERPRETATION of labor reward can be properly understood only if institutionally related to property. It is logical therefore that the analysis of the ecclesiastical principle of just price be followed by an exposition of the view of the church on property distribution. Without social equality in regard to property, a just price for labor was inconceivable to the medieval thinkers. They had to use their whole intellectual ingenuity to correlate these two basic principles. While the technological basis of production did not change fundamentally during the whole period of ecclesiastical rule, the accumulation of wealth shifted from one social group to another. This made the concept of social equality a particularly sensitive weapon in the struggle for the retention of ecclesiastical domination.

Christianity, coming into existence in a time of social transition, was called upon from its very inception to deal with the problem of the distribution of wealth. In the first Christian centuries the issue of economic equality became most pressing in the monasteries, where social life under Christian guidance was linked most directly with the ecclesiastical authority. Pachomius first assembled the monks in limited spaces, built houses for them, surrounded the monastic territory with walls, and laid down rules of discipline and communal authority. He was unable, however, to cope with the problem of the social inequality of those who came

to the monasteries from widely differing strata of society. We hear through Jerome, who at the end of the fourth and the beginning of the fifth century supervised monasteries organized according to the rules of Pachomius, that in one of the representative monasteries three separate houses were built for nuns of different social heritages.¹ It may be inferred that social distinctions had to be maintained within these earliest monasteries because people with means were thereby encouraged to establish them. In these establishments the wealthy of the land could themselves find refuge, among social elements of their own standing, from the ills of disintegrating Byzantino-Roman society. Once established, the monasteries became permanent institutions. The necessity of maintaining their existence in succeeding generations called for rules that severed links with individual privileges.

The disintegration of social divisions within the monasteries required a stand on the part of the ecclesiastical authorities in regard to property relations. This problem was most vigorously attacked in the middle of the fourth century by the principal ideologist of monastic life, Basil, called the Great. Basil approached his literary task by invoking the Biblical precepts that 'No man can serve two masters' and that 'Ye cannot serve God and mammon.'² He advocated the most rigorous distribution of property: 'Let all have a common store-cupboard and let no man call anything his own, neither cloak, nor shoes, nor anything else that is necessary for the body.'³ This appeal implied a community in consumptive goods; and it moreover presents a consistent application of the communal principle not only to accumulated wealth but to current income from work as well. Yet Basil did not condemn property as such. He thought that 'no possession if it had been bad in itself would have been created by God';⁴ and, making this more explicit:

'Riches . . . in so far as they do make life's current flow more easily are to be preferred to their opposite and have a certain kind of value.'⁵ What was being condemned was the misuse of riches, which are 'given by God for stewardship's sake,'⁶ and only those property owners are called 'robbers'⁷ who refused to distribute their wealth in helping the needy.

Basil is opposing the free disposition of accumulated wealth at the whim of the individual. The inference must be drawn that only the ecclesiastical authorities are entitled to call accumulated wealth their own, because they alone are instituted for the care of the needy. Basil was inviting the wealthy of the land to turn over their property to the ecclesiastics. The disintegrating society gave impetus to such transactions, and we see the ecclesiastical authorities, particularly the monasteries, gaining steadily in the control of natural resources and accumulated wealth. And, in turn, like any institution that has autocratic control of worldly goods and human actions, the monasteries themselves gradually started to disintegrate. By the ninth century they had accomplished their historical task of putting the decomposed social elements of the Byzantino-Roman society back to work. The concept of property as expounded by Basil did not die, however. To the present day, defenders of property titles claim that they are God's stewards of accumulated wealth.

The institutional setting of Basil's view disappeared, however, when the monasteries began losing monopolistic control over wealth and property, because of the social mobility instituted by the Crusades. Handicraft labor, a constituent element of the monasteries of the early Middle Ages, emancipated itself. The monasteries became again places of mere contemplation, and we witness the inauguration of pauper monasteries. It is no accident that one of the great

scholars of such a beggar monastery, the Dominican Thomas Aquinas, was called upon to revise the ecclesiastical stand on property and property relations.

The early ecclesiastical writers could have found in Plato the principles of communal property and propertyless communal life, which are in accord with his contempt for the world in which he lived. The ecclesiastics implicitly concretized Plato's principles by applying them to monastic life. There were variations in this trend of thought among the early ecclesiastics, as represented by Ambrose and Augustine, but the basic foundation laid by Basil had been maintained. It is, therefore, understandable that Aquinas had first to overcome Basil before starting his own exposition of the concept of property. On the other hand, he had to digest Aristotle, who, in expounding the subject of property relations, had found himself in a relationship to Plato similar to that of Aquinas himself to Basil. With a well-aimed blow, Thomas disposes of the school of Basil. He makes his point on communal property clear in the following passage: ' . . . division of possessions is not according to the natural law, but rather arose from human agreement which belongs to positive law . . . Hence the ownership of possessions is not contrary to the natural law, but an addition thereto devised by human reason.'⁸

This exposition recognizes common ownership as a universal category, valid without reference to the passage of time, while it gives the right of individual property a place as a historical category. Thus Aquinas was able to maintain the principle of communal property expounded by the early ecclesiastics as a primary principle, giving way at the same time to the institution of private ownership as called for by the development of the artisan society of his time. The universal principle was thus made applicable to the clerics, while the secular community was freed from its application.

To be sure, the historical situation of his time was not yet ripe for a Magna Carta allowing unlimited accumulation of wealth. The artisan who had established himself in the towns was not a speculator but a worker, bent upon providing himself and his family with the necessities of life. He was able to accomplish his task through privileges that he had obtained from the ecclesiastical authorities or the secular feudal lords of his time. These privileges had not been granted to an individual as an individual, but as a member of a body of craftsmen. We have to deal in this context with corporate privileges in which the role of the individual was submerged. In order to maintain such a rigid social structure, an ideological foundation was required that was detrimental to the conception of social equality as expounded by the early church fathers.

Aquinas takes a position on social equality between that of Aristotle and that of Augustine: he argues, against Aristotle, that slavery is not a natural state for any human being, but a habitual state, which he refers to as the 'right of nations . . . which is in use among all nations.'⁹ In other words, slavery as an outward expression of the inequality among men is not a universal category, as conceived by Aristotle, but a historical category instituted by human beings. Contradicting Augustine, Aquinas defends the historical institution of slavery by reference to the benefit that the slave derives from the wise guidance of the master, and he even goes so far as to impute to the slave a desire for such control.¹⁰

Slavery was widespread in Aristotle's time, and it was regarded as basic for the maintenance of the social order and economic activity. In Aquinas's time slavery was in the process of disappearance. It still existed in agriculture, but it had largely disappeared from the town communities.

Augustine, on the other hand, shifted attention to free communities of monks to which Basil's principles of communal property and communal wealth had been applied. The secular life in this view had been regarded as a process of accumulation of property for the sake of the monastery, or even as preparation for personal entrance into the monastery. Within such a concept of society there was, of course, no place for an ideology of social inequality. This condition had been outlived, as we have seen, in the time of Aquinas. The monasteries retired from economic activity and secular life spread its own rules, which called for a moderate conception of the equality of human beings. Thus we see Aquinas standing between two worlds, in both of which he had to take his stand. The slavery concept, as developed by Aquinas, played a prominent part in the establishment of the American republic. The acquiescence in slave ownership by the leaders of early American society was facilitated by the acceptance of Aquinas's view on slavery as a historical necessity.

Accepting the inequality of man as a historical condition, Aquinas advanced on solid ground in developing his picture of a hierarchical social order. He supports this hierarchical order with a statement on ecclesiastical canon and civil law. He symbolically likens the differences in status to the hierarchical order of the angels at the throne of the Almighty. He refers to the difference in severity of punishment for persons of different status in the criminal procedure of his time. The principle of the early monastic fathers—'everybody according to his needs'—is interpreted by Aquinas not as subsistence needs but needs according to one's given status. This he makes clear in the following passages: 'A thing is necessary in two ways, first, because without it something is impossible . . . Secondly, a thing is said to

be necessary, if a man cannot live in keeping with his social station, as regards either himself or those of whom he has charge.’¹¹ In the first instance Aquinas has the physical standard of living in mind; in the second he refers to the social standard of living. The general scheme of the secular hierarchical occupational ladder is divided, according to Aquinas, into three main groups: The highest rank is accorded to the political administration, the next highest to the military and the judges, and then follow those directly engaged in economic activity. The lowest sub-grade of this last group is comprised of peasants; then above them are the day laborers; next come the merchants; and the fourth and highest rank within those active in the economic process is that of the independent artisans.¹²

The principal difference between the social structures as designated by Aquinas and by Aristotle lies in the fact that agriculture ranks lowest among the strictly economic activities in the Thomistic conception, while it ranks highest within this group according to Aristotle. This change is due to the intervening development of artisan town communities and the simultaneous disintegration of agricultural activities.

Despite all the hierarchical variations in the social structure, Aquinas claimed that the principle of equality was maintained. Aquinas accepted Aristotle’s view that the mean in distributive justice is observed according to geometrical proportion.¹³ What Aquinas has in mind in reinterpreting Aristotle is the principle of progressive equalization, according to which one gets more because more is due him; the ‘more’ is somehow a reward for services rendered to the community. This principle, be it noted, was an intrinsic necessity for the ideological foundation of a static order. *Esprit de corps* was nourished by the striving towards the hierarchical heights attainable within one’s given occupa-

tional pattern. The transformation from apprentice to master and from master to public representative of the body of guild masters was the line of ascendancy within the rigid social system and became the goal of the ambitious individual. Yet, within all ranks the determination of the level of the social status was not left to the discretionary power of the occupational group concerned. The community as a whole was concerned with the matter of laying down the principles of social leveling; it was a public duty to see that minimum and maximum prices were set in order to preserve the rigid social structure. This corporate regulation of the rewards for occupational services within the various ranks was guided by a specific restrictive principle. Aquinas states the principle as follows: 'Whatever things good consist in a due measure, evil must of necessity ensue through excess or deficiency of that measure.'¹⁴ Therefore the immoderate love of possessing is evil and, in Aquinas's view, sinful. While the sinfulness does not apply to direct consumption goods, it does apply to the accumulation of means of acquisition for their own sake.¹⁵ External goods covering physical necessities come under the head of things useful for an end. 'Hence . . . man's good in their respect consists in a certain measure, in other words, that man seeks, according to a certain measure, to have external riches, in so far as they are necessary for him to live in keeping with his condition of life.'¹⁶ This statement of principle sets the limits for acquisitive activity, regardless of the rank or social status. While the application of this principle allows for the different ranks different levels of the 'conditions of life,' it keeps one 'condition' as a general standard for the particular occupational body as a whole. It thus provides a basis for actual equalization of pecuniary gains within the rank. The real equalization standard of his own rank becomes more effective for the conduct of the individual than the

fictitious equalization standard established among the ranks. Here lies the clue to understanding the balancing of the social structure of the hierarchical Thomistic society.

The concept of the hierarchical Estate Order has greatly outlived the community of master artisans. The term 'class,' in particular 'middle class,' is often used in the sense of middle estate. This use ignores the fact that the economic position of a member of an estate was a derivative of his hierarchical social standing, while the social position of an individual in the Marketing Order is on the contrary the derivative of his economic position. This principal difference is overlooked particularly in the fascistic pretension of restoring the corporate Estate Order by freezing the economic position of the individual attained in the marketing society.*

The maintenance of a social balance of the artisan society became more and more difficult with the passing of the centuries. The craftsman-artisan community showed growing signs of social discord. The speculative spirit of the colonial merchant threatened to wreck the very foundations of the rigid social structure. Duns Scotus tried to readjust the hierarchical social order to the changing social conditions. He took up the case of the trader against the crumbling social hierarchy of his time. He recognized the service rendered to the community by the colonial merchant, praised his industry, diligence, and solicitude, and gave him a high place in the hierarchy of occupations.¹⁷ But, far from envisaging the abolition of the principle of the Estate Order with its regulated internal harmony, he attempted to save the order by giving the merchant a more prominent place in it. Yet Scotus's subtle attempts failed in the long run. By the time Luther and Calvin appeared on the scene, the hierarchical order was shattered.

* Compare the last chapter of this book.

Luther placed the emphasis, in his fight against papal ecclesiasticism, on the preservation of the secular authority, without urging a transformation of the secular authority itself. He could not fight on two fronts at once. Calvin's task was eased by Luther's efforts. Papal authority had been pushed into the background in many parts of Europe. Calvin could thus dare to ally himself with the new secular forces rising on the ruins of the shattered social structure. A new order of society, based on new principles, was on the agenda.

The merchant phase of economic development had formed the particular background for Calvin's ecclesiastical revolution.* It is therefore understandable that the creation of the New England towns in America received Calvinistic blessing. The development of secular concepts proceeded very slowly in the New World because of its favorable conditions for freehold farming and town artisanship. The artisan received a renewed hold on life in the New World. This obviated the marketing character of the early American economy. It also opened the way for the reintroduction of artisan concepts of medieval society maintained by the papacy.†

Neo-ecclesiastical formulations taken out of their original historical context tend to become elements of a ritual inviting social mysticism. To the relief of social and economic

* A correlation of neo-ecclesiastic concepts with the rise of the merchant economy has been undertaken by Max Weber in his book, *The Protestant Ethic and the Spirit of Capitalism*, and by Richard H. Tawney in his *Religion and the Rise of Capitalism*. A causal correlation of these two factors should demonstrate that the intensification in the development of the merchant economy effected a gradual narrowing of the neo-ecclesiastical concepts and a complementary expansion of the sphere of secular ideology.

† A significant reformulation of Catholic ecclesiastical views on the labor problem was made by Pope Leo XIII. See his encyclical, *Rerum novarum* (1891, tr. as *On the Condition of Labor*). One should not expect, however, to find a historical interpretation of ecclesiastical concepts in this encyclical.

ills, restatements of medieval ecclesiastical concepts can hardly make an effective contribution. For both the artisan and merchant conception of ecclesiasticism, embodied respectively in Catholicism and Calvinism, hiring of labor is not a constituent element of the social process. The journeyman is, in the representative Catholic view of Aquinas, a future master. In the Calvinistic conception, the laborer is a temporarily displaced journeyman while the merchant clerk is expected to become a merchant himself. Within such a harmonious view of social relations, labor conflict could not be regarded as an institutional factor. And that sets the particular limitation for all ecclesiastical thought, either Calvinistic or Catholic, barring it as an adequate means of analyzing the industrial marketing society. Contemporary ecclesiastics who are assisting the bargaining functions of organized labor are, *nolens volens*, standing on the marketing foundation of American society with its ideological impact.

II. BALANCE IN MARKETING

4

SECULAR SOVEREIGNTY AND CONTRACTUAL LIBERTY

ANY POLITICAL AUTHORITY is carried into social life under the ægis of a symbol. The intellectual originators of an authority develop its symbol from the historical perspective. The common lay people, who are supposed to be ruled and guided by the authority, are, however, kept in ignorance of the historical perspective of the symbol. They have to accept it as a mystical sign of superior power. This is why authorities long outlive the historical period that brought them into existence. The common people, ignorant of the historical source, continue to follow a symbol of authority long after it has lost any link with socio-historical reality. The metaphysical age will not cease until the historical relevance of any symbol of authority is commonly realized. In that case, the change of authorities will not be left to passions aroused by mysticism. A symbol of authority will then be discarded after its historical relevance has gone.

Just as the ecclesiastical authority came into being under the ægis of a symbol, so the secular authority was inaugurated under the shield of another symbol. The struggle for the supremacy of secular over ecclesiastical authority is symbolized by the controversy over the place of the Law of Nature in the hierarchy of social concepts. While the

secular leaders of the disintegrating Roman society claimed the Law of Nature as supreme authority for the creation of positive law, the early ecclesiastics had recourse to the law of God to authorize the rules of social conduct. The incongruity in the sphere of social action explains the divergence in the approach. While the Roman authorities had to deal with the widespread secular activity of free-moving citizens, the early ecclesiastics centered their attention on the monks, whose social activity was restricted by the walls of the monasteries. The monks were controlled in all their actions. The rules that the ecclesiastical authorities had laid down appeared, therefore, to have direct divine sanction. As Augustine succinctly remarked, 'the eternal law is that by which it is right that all things should be most orderly.'¹ A Roman citizen, however, had to decide for himself upon taking or not taking an action; no authority guided him directly. He had to be imbued with a sense of self-reliance in his conduct, for which the rational Law of Nature supplied the compass.

When the dominion of the monasteries over the totality of social life ceased and secular activity was carried beyond the walls of the monasteries, the law of God was not directly enforceable any more in wide spheres of social conduct. The artisan member of the medieval town community had to take action in his secular life without consulting the ecclesiastics in every instance. The revived sphere of autonomous secular life called for rationalization of the action of the individual, and the ecclesiastics, in order not to lose entirely control over social life, had to look for an intermediary. This intermediary was supposed to give the town citizen a rational basis for his conduct, without completely severing the tie that bound him to the supreme ecclesiastical authority. The later ecclesiastics discovered in the Law of Nature a conceptual means that, reconditioned for the

purposes of ecclesiastical control, could serve the church as well as it had Roman society.

Thomas Aquinas contributed greatly to the integration of the Law of Nature and the law of God. The procedure he used implies an empirical interpretation of the Law of Nature, perceived as human law divided into general precepts and particulars.² This interpretation is in no way similar to that of Stoicism, which regarded the Law of Nature as identical with the Logos. Stoicism conceived the Law of Nature as the principal of all principles, which can be thought of specifically only as 'thought of thought.' Such an interpretation of the Law of Nature Aquinas could not accept, because it left no place for the law of God. He therefore made an attempt to retain the law of God by assigning to the Law of Nature a second place in the hierarchy of social concepts.

The argument was reversed when the ecclesiastical authorities had to give up entirely all control over secular life. Thomas Hobbes, the early ideologist of secular sovereignty, stated in the course of his argument for the supremacy of the Law of Nature, that it included the Divine Law as well—quite contrary to Aquinas's postulation. Hobbes's pertinent statement is worth repeating: 'As the Law of Nature is all of it divine, so the law of Christ is by conversion all of it also the doctrine of Nature.'³ With the inclusion of the law of Christ within the doctrine of Nature, Hobbes conceived of the rational precepts of Christianity as implied in the rational precepts of the Law of Nature. According to Hobbes, the doctrine of Christ, meaning the belief in his deity, 'is not comprehensible under the title of a law. For laws are made and given in reference to such actions as follow our will; not in order to our opinions and beliefs, which being out of our power, follow not the will.'⁴ Hobbes's contemporary, Benedict Spinoza, conceives the ap-

plication of this principle as follows: 'The holders of sovereign power are the depositories and interpreters of religious no less than of civil ordinances.'⁵ Hobbes was in full agreement with this concept. In commenting on the appearance of Spinoza's *Tractatus Theologico-Politicus*, Hobbes is quoted as saying that Spinoza 'has cut through me a bar's length, for I durst not write so boldly.'⁶ This admission should aid in taking a critical stand towards a recent re-interpretation of Hobbes by Leo Strauss. Strauss seems to be trying to secure for Hobbes a place in ecclesiastical thought.⁷ It may be granted that Hobbes made a few concessions to ecclesiastical views in the course of his literary activity. But the historical significance of Hobbes's thinking is certainly not brought out by laying the emphasis on some of his most timid expressions, made in the face of powerful ecclesiastical opposition. It is rather by discounting the ecclesiastical apologies that one gets to the heart of Hobbes's thought.

In line with Spinoza, Hobbes restored the Law of Nature to the sovereign validity that it had in Roman times. Yet it has an appearance different from that in Roman society. While the Stoics' Law of Nature was built around the relation of man to mankind, Hobbes took his concept from Francis Bacon, who was instrumental in relating man to nature. Although Hobbes conceived his task as that of enlarging the scope of Bacon's inquiry, he nevertheless adhered to Bacon's methods and reapplied to the conception of the relation of man to man Bacon's perception of the fight of man against nature. While securing for the Law of Nature a supreme place in the hierarchy of social concepts, Hobbes does not elevate it to the metaphysical heights of Stoicism. Hobbes and the school of thought that he originated were anxious to maintain the congruity of the Law of Nature in human society with the natural Law of Nature

in general. Such a claim was consistent with the dynamic nature of society that this school of thinkers represented. The metaphysical aspect of the Stoics' Law of Nature was, on the contrary, a derivative of Quietism, representing an attempt to conserve old values rather than to develop new ones. On the other hand, the emphasis Hobbes and his school laid upon nature in general met with less resistance from the ecclesiastics because it employed a conception familiar in ecclesiastical thought. It presented, therefore, a convenient side door by means of which the entrance of the non-ecclesiastics was made less offensive.

In treating the law of Christ under the title of the Law of Nature, Hobbes and the school of thought he represented transformed the human being from the image of God into the image of an animal species. One of the basic implications of this fundamental change was the denial of free will to the human being; not with the hope of the grace of God as argued by Luther and Calvin, but by the argument that causation in nature in general is of the same kind as human causation. Natural determinism * is substituted for freedom of will, and Hobbes was an ardent exponent of this new trend of thought. In conformity with the principle of natural causation, the aim of all human life is conceived by Hobbes as the preservation of the species, not the species as a social animal, but the individual of the species. Warfare is the natural state of human life, because all the human animals have similar desires for the satisfaction of which they have to compete. Only the fear that unlimited warfare would lead to his destruction compels the human animal to use self-restraint. Mutual fear is the generator of all social life, and

* Natural determinism has been generally accepted as the epistemological basis for the class-struggle ideology. The author maintains that both the class struggle and the marketing ideologies are based on the conception of determinism. This conception is far more rigidly applied by the marketing school than by the class-struggle ideology.

society is instituted 'not so much for love of our fellows, as for the love of ourselves.'⁸ While animal fear is the creator of social life, the maintenance of society depends, according to Hobbes, upon the rule of reason.

Reason, according to Hobbes, is responsible only for the form of self-restraint maintained by an individual in dealing with other individuals. The act of self-restraint is instinctive itself. Thus human society is ultimately regulated by the same prime mover as an animal herd. Hobbes concedes the rule of reason only for specific regulations of social life. The general principles of social life are common to all animals, rational and non-rational alike. The fundamental state of society, as Hobbes conceives it, is one in which the human animals may show their natural lust without restraint, after the fashion of a pack of wolves. Human reason, however, provides the human animal with ability to foresee the effects of his actions. This foresight the human animal uses to lay down rules of reason, which are called 'rights.' The actual state of society is, therefore, one in which the human animal curbs his actions by the realization 'that the right of all men to all things ought not to be retained, but that some certain rights ought to be transferred or relinquished.'⁹ But this relinquishment of rights is made with the mental reservation of the right to recapture the relinquished rights by the subtler means of reason. The animal fight is thus transformed into a fight in human society, where the lust remains untouched but the means of its satisfaction are converted into rational forms.

Although Hobbes uses the Stoic term, Law of Nature, his concept of human conduct is much more in accord with the vulgarized Epicurean view of life, in which the satisfaction of individual desires is conceived as the principal denominator of social life. There is, however, a difference in social outlook. Late Epicureanism was concerned with the

escape of the individual from the disintegrating Roman society, whereas Hobbes was concerned with escape from the ecclesiastical authorities. Hobbes left the individual within society, although the society itself was considered as atomistic by him. This atomism was in no sense that of Democritus, who drew his notion from the non-living organism. It was rather an analogy to the cohesion and antagonism of living animal aggregations held together for the sake of maintaining their individual existences. The conception of society patterned after Democritus may cover an authoritarian regime in which the individual is considered a part in whose name the whole organism is maintained. Such a conception did not suffice, however, for Hobbes, who viewed individuals as pursuing their egoistic ends on their own account. Although he conceived of a monarch ruling a society by his sovereign power, he thought of the ruler as promoting individual interests in the commonwealth he represented. The monarch was to him the guarantor of individual liberty, which in Hobbes's conception was identical with lawful liberty. In that sense, liberty and lawful necessity became identical, or as Hobbes expressed it himself, 'Liberty and necessity are consistent.'¹⁰ The basis for lawful liberty is given by the mutual consent of two or more individuals to transfer some of their respective rights to each other. Such a transfer finds expression in a contract; but it is an individualistic contract, and its validity does not extend to the collectivity or state. The ends of the commonwealth are best served by competing contracts made by individuals.

The contractual liberty Hobbes had in mind was destined to free the speculative spirit of the merchant from ecclesiastical interference, attaching, at the same time, the interests of the merchant to those of the secular authority of the monarch. Hobbes was predominantly the ideologist of the

princely merchant, whose interests were identified with those of the crown. The privileged position attained by the princely merchant overshadowed the agriculturist. This change in the social hierarchy was corrected by the peasant rebellion that raged over Europe in the sixteenth century. After the rebellion had been crushed and some parts of the agricultural over-population absorbed in the growing town communities, the agriculturist renewed his claims for social superiority. The way to make these claims effective was by reclamation of the collective rights of the agriculturist, which the crown, with the help of the princely merchant, had previously curtailed. This was the task that John Locke set for himself.

Locke made use of Hooker's postulation of the social contract in order to fill the Law of Nature with a different content. Hooker was an ecclesiastical writer who aimed to redefine the Law of Nature as expounded by Thomas Aquinas. Yet Hooker was careful not to over-step the ecclesiastical sphere in which the law of God ranked above the Law of Nature. This Locke did not accept, for to him, as to Hobbes, the Law of Nature held the sovereign place in the rank of social concepts. What attracted Locke in Hooker's exposition was, however, the attempt of the latter to make a social case for the defense of a hierarchical order. Hooker promoted the cause of the Church of England against that of the Presbyterians. In order to compete effectively with the democratic-community precepts of his Presbyterian rivals, he had to prove that the hierarchical order of the High Church of England was derived from the consent of the faithful. Leaving the ecclesiastical sphere aside, Locke used Hooker as a prototype to prove for the secular order that the hierarchical order of British society was derived from a free contract made by the various strata with the monarch. This is the social content of Locke's abstract statement: 'But I more-

over affirm, that all men are naturally in that state and remain so, till by their own consent they make themselves members of some political society.' ¹¹ The historical significance of Locke's exposition lies in his endeavoring to place the agriculturist on the same level as the colonial merchant. Locke paid tribute to his time by including in his social claim not only the landed nobility but the loyal tenant as well.

When Rousseau took over the concept of the social contract, he was concerned not with fortifying the status of the agriculturist, but with opposing any form of established authority. The American Revolution was carried out under the influence of both Rousseau and Locke. Thomas Jefferson, author of the Declaration of Independence, can be regarded as taking much from Rousseau. The basic passage of the Declaration of Independence, 'that all men are created equal,' is a distinct echo of Rousseau. Because of his equalitarian views, Jefferson pleaded for the removal of the slavery clause from the Constitution of the United States as drafted by Madison. Madison leaned more on Locke, whose hierarchical vision of society was very agreeable to him. Locke's view, however, required adaptation to the American social background. The British tenant was supplanted in America by the freehold farmer; the British landowning nobility found their counterpart in the slave owners of the New World. More distinctly than in Britain the American social order was based on the maintenance of property rights, which in British society had been somewhat veiled by feudal tradition.

David Hume, coming into prominence at the time of the British restoration, turned back to Hobbes. He questioned the historical validity of the doctrine that bases all lawful government on an original contract or the consent of the people.¹² Hume was fighting the landed nobility, as Hobbes

had fought it, but not with Hobbes's aim of promoting colonial trade. Hume did not have the princely merchant in mind. He was out to push privileged home industries into a dominant position, thus advancing the interests of the emerging industrial order. In upholding the concept of the Law of Nature, Hume was still anxious to maintain the prerogatives of the monarch. It was not until Bentham that an attempt was made to discard the Law of Nature. Bentham declared that 'Natural rights are simple nonsense.'¹³ The industrial social order was rapidly establishing itself in Bentham's days, and the rising manufacturing class was making new and enlarged claims upon the crown. The prerogatives of the Law of Nature, which had been for centuries bestowed upon the crown, seemed to Bentham an obstacle in the way of these new social demands. He entrenched himself at first in a straight utilitarian ideology, denying any regulative principle outside of it. This was a *carte blanche* for pragmatism, according to which social means, not social ends, are the prime determinant of the social process. Bentham did not, however, rely for long upon this pragmatic base. Confronted with the demands of the emerging industrial laborer, Bentham and his follower, James Mill, had to look for new and more specific standards by which utility could be measured. They denounced the equalitarian aspirations of the laborer and sided with the investing industrialist's desires for security.¹⁴ Security for the investor was to take precedence over the liberty of the laborer.

The conception of liberty expounded by Bentham and James Mill was challenged by Adam Smith. Smith reinstated the Law of Nature, and in this respect he drew on the heritage of Hume and Hobbes. In his *Lectures*, which precipitated his fundamental treatise on the *Nature and the Causes of the Wealth of Nations*, he stood in essential agreement

with Hobbes's exposition of the Law of Nature, and he defended Hobbes against the attacks of the ecclesiastics and neo-ecclesiastics represented by Puffendorf.¹⁵ In the *Wealth of Nations*, he made no explicit statement on the Law of Nature, but his whole approach, in viewing the competitive economic system as the activating basis of economic and social relations, revealed how thoroughly his thought followed the patterns of the eighteenth century. It was an epoch of universal optimism, when it seemed to the most enlightened spirits that human reason was going to work for the benefit of humanity with the precision of the Newtonian Law of Gravitation. The concept of pre-established harmony expounded by Leibniz, itself a remnant of ecclesiastical thought, seemed to have received an empirical basis through startling discoveries in the sphere of mechanics. Smith projected this notion into the economic sphere by implying a pre-established capacity for economic balance. The Law of Nature, which in Hobbes's conception wore a zoological aspect, became in Smith's interpretation mechanical. In addition, its social orientation was changed. Smith was out to free the individual entrepreneur from any interference in the economic sphere, whether from ecclesiastical authority or from the crown. In that respect his interpretation of the Law of Nature differed basically from that of Hobbes and Hume, who had referred its sovereignty to the crown. Smith's view is more in accord with that of Locke, who had referred sovereignty to a social group. But Smith's conception of the collective did not refer to the collective body of agriculturists, whom Locke had tried to save. It was, rather, the enterprising manufacturer whom Smith consistently promoted. His collective was what might be characterized as an atomistic collective, and not a collective conceived as a corporate body. In this respect, his Law of Nature stands midway between that of Hobbes and Hume,

with its atomistic approach, and that of Locke and Rousseau, with their corporate collectivistic emphasis. The symbol of the sovereignty of the contractual order had been placed by Smith on a powerful new foundation, destined to serve right down to our own time the ends of a technologically revolutionized social order.

In voicing the claims of the rising manufacturer for freedom from supervision in his economic affairs, the clear-thinking Scotchman realized that this claim invited at the same time the freeing of the laborer. In his *Theory of Moral Sentiments*, Smith avoided unlimited utilitarianism, which moved in the Epicurean direction. He tried, rather, to give to the utility concept the Stoic emphasis of moral restraints. The vulgarized Epicurean view of society emphasized the individualistic joys one might get out of life, with complete disregard of the social effects of such an attitude. It was a philosophy of the decaying upper classes of the Hellenistic-Roman society. In contrast, Stoic philosophy attempted to bind the upper classes to the lower strata by a sense of social solidarity. Smith followed the Stoics in emphasizing the social duties of the owner of the means of production towards the propertyless.

This change of scope in utilitarianism was necessary for the contract between the worker and the employer-manufacturer to be placed on a competitive footing. Had the restrictive practices of the medieval corporate order been preserved, the employer could well have been satisfied with an Epicurean outlook on life, leaving the laborer a choice between outright starvation and starvation wages. But with the laborer himself set free to enter a contractual relationship, the employer had to try to include the laborer in his (the employer's) own view of life. With an Epicurean approach, that was impossible; but the Stoic philosophy, in placing moral restraints on the disposal of material goods,

had some chance of acceptance by both parties to the labor contract.

The artisan character of early American society impeded the speedy acceptance of Smith's views on the industrial society in the New World. Alexander Hamilton, the earliest protagonist of Smith's ideas in America, had to face the challenge of Benjamin Franklin, the most ardent expounder of American artisanship. The feudal character of the slave-owning section of American society put additional restraints on the spread of Smith's views. The social barriers which obstructed the path of an industrial conception of society had not been removed in America before the Civil War. After that, the symbol of the Law of Nature as conceived by Adam Smith assumed sovereign rule over generations of American social scientists. At the close of the nineteenth century, John Bates Clark still refers to the Law of Nature as the supreme regulator of the social and economic process. Only sporadically was a more critical stand taken. Thorstein Veblen attempted to re-evaluate the historical validity of the Law of Nature in his *Instinct of Workmanship*. The popular response to Veblen's thought, which came to the fore with new vigor after the great depression of 1929, is a sign that eighteenth-century concepts are increasingly questioned in American society. It is significant that a critical re-evaluation of the Law of Nature comes in the age of monopolistic control of industry that has supplanted the individualistic industrial order propagated by Smith. Smith's attempt to place moral restraints upon the activities of the individual entrepreneur in the interest of labor loses its force in an era of impersonal labor relations. The secular Law of Nature never was a symbol of social harmony as expressed in the Estate Order. In its early period the secular Law of Nature symbolized competition. It is increasingly becoming a sign of social discord.

5

NATURAL PRICE OF LABOR

ECCLESIASTICAL AUTHORITY was maintained with the aid of the symbol of the just price of labor. In the secular Marketing Order, work remuneration acquired a different symbolic formula. The Law of Nature found its direct expression in the natural reward for labor. In accordance with the dynamic character of the marketing society the natural reward for labor went through different stages of interpretation.

The town community built around patriarchal artisan shops, which contributed the outstanding characteristic to the social structure of the thirteenth century, was challenged in its dominant position by the rising merchant. In the course of this process, the master artisan himself was caught by the speculative mercantile spirit. The big master employing ten or more journeymen replaced the two- and three-man artisan shop. While the colonial merchant was most instrumental in overthrowing the ecclesiastical social order, he allowed the artisan-merchant to share in the high social position he attained in the rising secular order. The interests of the artisan-merchant in the domestic market were not detrimental to the foreign-trade interests of the colonial merchant. Both flanks of the mercantile group threw their lot in with the monarchy; their advices to the monarch differed only in emphasis on particular aspects of domestic production. The transformation of the monarchy from a feudal to a secular institution follows closely the rise of the

princely merchant to the dominant role in society. The princely merchant was in turn instrumental in assisting the monarch to throw off the yoke of ecclesiastical supremacy.

The colonial merchant of England, who had successfully fought the earlier colonial merchants of Holland and Spain, thrust the foreign-trade group into prominence in British society. In France the domestic merchant-producer remained more in the foreground, as France's colonial trade had lagged behind that of its British rival. British colonial trade was carried out by companies privileged by the crown, and anyone eager to advance the interests of the companies had to show that the interests of the companies were identical with those of the monarchy. This is the background of thought that brought about the first system of secular economic ideas in the Western World.

This system, called mercantilism, was based on the concept of balance of trade. It set out to demonstrate that a favorable balance of trade contributed to the revenues of the monarch. The earlier mercantilist writers, the so-called Bullionists, dealt with the purely monetary aspect of the problem. They treated monetary accumulation as an active factor in itself, in contradistinction to the ecclesiastics, who had relegated it to a passive function as merely serving consumptive needs. The later mercantilist writers admitted that accumulation of national monetary wealth might be important for the crown and beneficial to the colonial merchant. They were aware, however, that the monetary problem of the crown was not entirely congruent with its fiscal aspect. The background for these fiscal needs was formed in England by the enclosure system, the increase of grass land and the decrease of arable land, a development that caused a heavy increase in the migration of surplus agricultural population to the towns. In addition, the medieval guilds were going through a period of intensive strife because of the

continuous social disintegration of artisanship. The big master, whose standing was measured by his wealth and by the number of journeymen he employed, and the journeyman, who had less and less chance to establish himself as a master, found it hard to remain under the common roof of the guild. The master and journeyman associations, divided by a wide difference in social status, were busy fighting each other. The masters were not able to cope with the social demands of the rising army of lifetime journeymen. And the discontented journeymen became as much of a problem to the crown as the dispossessed peasants.

At this point the privileged merchant companies had to step into the picture. They had to help keep the power of the crown and their own privileged position unchallenged. To this end, Mun pleaded, in the interest of the 'poor,' for the exploitation of the 'natural and artificial resources of the country.'¹ The journeyman provided skilled labor and the dispossessed peasant was to become the unskilled laborer. The alternative for both groups of laborers was the poor-house and workhouse, in comparison with which the standards of wages and employment conditions in the manufactories had to be judged. The employer could claim, in accordance with mercantilistic thought, to be a benefactor of the laborer, saving him from starvation. Obviously, no claims on the part of labor were valid within this concept of labor relations. The medieval conception of a just price for labor dropped out of the forefront of social disputes; the social basis for it had been removed. The concept of charity replaced the notion of the just price for labor. This appears superficially like a reassertion of a principle familiar under the early ecclesiastical order, when the latter was struggling to establish its rule in the midst of the disintegrating Roman society. Closer scrutiny, however, reveals a prime difference between the interpretation of charity in the periods of early

mercantilism and of early ecclesiasticism. The latter conceived of charity as an act of divine submission, which was to be hailed for the sake merely of acting in conformity with the divine law. But the early mercantilists appealed to the self-interest of the charity-giving employer, who, by handing out a reward to the 'poor' laborer, was to keep the potential propertyless thief and murderer from the property-owner's door. This notion of charity was more in accord with the Puritan's interpretation of earthly rewards for good deeds than with the doctrine of the early ecclesiastics. At any rate, it belonged more to the ecclesiastical than to the secular order. It characterized a transitional stage between ecclesiasticism and the marketing society.

The secular order had been brought into existence under the ægis of the Law of Nature. The reward for labor had accordingly to be made an element of this symbol. Among the mercantilists, it was Petty who first set out to demonstrate the character of the 'natural reward' for labor. He sought a natural equation of the worth of labor, declaring that ' . . . the day's food of an adult man . . . is the common measure of value and seems to be as regular and constant as the value of fine silver.' ² Petty proceeded simply to define the average daily sustenance of the laborer as a hundredth part of what one hundred laborers of different quality and strength had to consume in food in order to live, work, and bear progeny. Here for the first time we find an attempt to formulate a wage theory within the secular order. With all its obvious limitations, it constitutes an advance towards the recognition of the right of the laborer to a share in the product of his labor, a share to be set aside regardless of any claims the owner of the means of production may have. Thus Petty's conception helped to displace the theory of labor compensation as an act of charity, a theory that had characterized the earlier secular order. Petty acknowledged

that the commercialization of the economy affected all social relations, including that of employer and hired laborer.

Petty wrote at a time when the artisan economy had reached an advanced stage of disintegration. The first stage of the disintegration of artisan society, beginning with the fourteenth century, had been characterized by the increasing difficulty the journeyman had to establish himself as a master. In a later stage, in the sixteenth century, the established small master himself was forced to give up his economic independence. At that time the big master had abandoned his economic function as a producer in his own shop. He became a director of work in numerous small artisan shops and supplied the wholesale merchant with finished products. This stage of organization of production is generally called the domestic system. The clothier who 'buys the wool, causes it to be spun, woven, fulled and dyed, pays the artisan for each stage in the manufacture and sells the finished product to the drapers' ³ was a typical example of the new role assumed by the big master. The master spinners, weavers, fullers, and dyers commissioned to work for the clothier could certainly not claim to have the economic and social standing of the medieval town artisan. The one feature of medieval artisanship left untouched was the ownership of the means of production by the small master. In the latest period of disintegration of the artisan society, even this characteristic of artisanship disappeared. In the seventeenth century we find many former small artisans working with their journeymen in big establishments with tools supplied by a capitalistic financier. These establishments, called manufactories, differed from the later industrial plants only in technological complexity of equipment. Socially the organization of work in the manufactories and the later machine-driven factories did not differ. With the period of manufactories, the sale of labor time supplanted the sale of

products of labor. The labor contract was substituted for the workmanship contract, and with this a major part of the guild activities in the supervision of quality and price of workmanship was institutionally eliminated.

In the marketing of domestic products, the privileged artisan-merchant had to meet the rivalry of the agriculturist. After money taxes had taken the place of payments in kind, the landed gentry became greatly interested in the sale of their products on the domestic market. Some landed proprietors were at the same time interested in the colonial market, being active members of or investors in the privileged companies. The double interests of those who were both merchants and agriculturists were promoted in England by John Locke. He assumed the interpretation of property advanced by Hobbes, which stated that the right to property was based on labor.⁴ This was a defense of property titles to accumulated wealth and in no way a claim of the laborer to the product of his daily labor. The day laborer was treated by Locke as a man who had barely escaped from the poorhouse.⁵ There was to Locke no question of declaring the laborer an autonomous party in society by placing a tax burden upon him. The key to the understanding of the comparative backwardness of Locke's conception of labor reward is to be found in the fact that he did not think of a day laborer as a necessary social phenomenon. The poor beginner in agriculture was supposed by him to have a chance to become a tenant. Locke was not particularly interested in domestic production outside of agriculture. To be sure, in the case of the adventurous spirit too restless for country life, Locke recognized that he had ample chance to become a colonial merchant. To one who saw in the agriculturist and the merchant the only two productive groups, the town laborer seemed economically a useless burden.

Cantillon, among those who promoted the interests of the agriculturists, tried also to advance the position of the urban day laborer. He maintained that intensified domestic production in manufacture was not detrimental either to the interests of the agriculturist or to the profits of the merchant. In that respect he surpassed the limited scope of Locke's exposition. Cantillon could thus attach his reasoning to that of Petty, who had sought to advance the position of the laborer within the sharpening conflict between domestic producer and foreign tradesman. But Cantillon went a step further than Petty, by considering the agriculturist as well. Like Petty, he maintained the natural parity between land and labor, but Cantillon thought that Petty's 'research which he has made into it in passing is fanciful and remote from natural laws.'⁶ Cantillon saw the natural law involved in the reward for labor as based on the ratio of the price of the product to the price of labor.⁷ He implied the presence of productivity and efficiency as elements entering into the reward for labor. In this respect he advanced far beyond Petty, who had relied upon the mere subsistence level of wages. Petty was a trader *par excellence*; to him production was a concession to be made in order to keep up the privileged position of the merchant. Cantillon, on the other hand, began with the role of the agricultural producer and maintained his production point of view consistently in dealing with the urban producer as well. To him productivity and efficiency were familiar terms, while they were unknown within the mercantilistic conceptions of Petty. In comparing Cantillon and Petty we have to concede to Cantillon the first advancement of the role of the laborer as an active participant in the process of production, while Petty first established the 'poor' laborer as a maturing participant in the process of distribution.

While both Cantillon and Locke pleaded for the interests of the landed proprietor and his loyal tenant, they did not regard the agricultural interests as the sole determinant of national economic well-being. Another group of writers was to come into prominence with the claim that agricultural production is the sole determinant of the wealth of a nation. It was no accident that this new school of thought originated in France, where the colonial interests of the merchant had not been so far advanced as in England. The thesis of this school was that net profit in the national economy is made only in agriculture. No net profit can ever be made by the merchant. Even the urban artisan cannot claim a net profit, for he subsists only because of the productiveness of the agriculturist. Only through saving the agriculturist's time by relieving him from the necessity of engaging in artificial craftsmanship does the urban craftsman contribute to the increase of the net profit. The town artisan is sterile so far as the effects of his own labors upon the increase of the wealth of the national community is concerned.

In conformity with this view was the claim that the full share of any increase in the communal wealth of the nation rightfully belonged to agriculture. The basic interests of Quesnay and his school of physiocrats centered around the redistribution of the national income in the interests of the landed nobility. The difficulty that arose in identifying the landed nobility, as over against the agricultural laborer or tenant, with the claim for social superiority was overcome by Quesnay's stating that the proprietors are those 'who decide the order of work and the distribution of expenses.'⁸ According to these aims, the less all other groups in society, including the laboring group, received, the more the landed gentry could profit. In conformity with this concept was the call for a low reward for manual labor, to which the whole

school of physiocrats down to the French minister, Turgot, adhered.

With all the paternalistic emphasis on social relations, the promoters of the interests of the French landed nobility of the seventeenth century could not base their claims on the authority of the ecclesiastical order, whose supremacy had been definitely undermined. At a time when natural science was in the ascendant, it was essential for any school of thought seeking serious consideration to conform to the Law of Nature. In line with this need, DuPont de Nemours, one of the most ardent followers and interpreters of Quesnay, asserted roundly that 'The natural laws are the essential conditions according to which everything is being executed . . . and in reference to us, these are the essential conditions to which man has to adhere in order to secure all the advantages of the natural order.'⁹ While the writers preceding Quesnay had a mechanical concept of the Law of Nature, Quesnay, himself a physician, placed the emphasis on physiology. Both the mechanical and physiological conceptions of the social order and its economic implications disregarded the aspect of growth. In the mechanical concept of the mercantilists and in the physiological concept of the physiocrats, the socio-economic pendulum swung back to the same point from which it started; neither the mercantilistic conception of balance of trade nor the physiocratic view on the circulative process implied a change in the level of the swing. Not until the Darwinian theory, which differentiated levels of development, became ripe for application in the social sphere did the concept of social growth appear in its full strength in social thought.

It is to be noticed that in the United States the view of the earlier physiocrats did not find ready acceptance. American agricultural expansionism was a bulwark against any

possible claims for redistribution of national income. In addition, the social strata in whose name Quesnay had advanced his views had disappeared in the newly created American republic. The American Revolution had eliminated the nobility and its monarchical ties. It is therefore understandable that Thomas Jefferson was skeptical of the ideas of DuPont de Nemours, whom he rightly suspected of monarchical sympathies.

The doctrine that the landed proprietor had the only controlling interest in the distribution of net profit was challenged by Turgot, who made the cultivator, i.e. the tenant, the social group actually responsible for the agricultural product.¹⁰ Intensified social disintegration of the landed nobility in France prompted more direct recognition of that group which had been directly connected with the toil on the soil. The growing commercialization of the French economy, on the other hand, forced Turgot to admit that the well-being of the agriculturist was more closely connected with the well-being of other occupational groups than the founders of the physiocratic school had realized. He discarded the view that the national income is static and that the well-being of one stratum of the population can be improved only at the expense of another stratum. Turgot's changed outlook foreshadowed the advent of the industrial revolution. It was not accidental that he started his analysis with a statement on the advantages of the technical division of labor.

The whole concept of the natural reward of labor, which dominated the era of merchant capitalism in its various ramifications, was molded by the static artisan method of production, which allowed for only a very limited increase in the productivity of labor. The totality of the social product was dependent upon the total amount of labor and the

sum of working opportunities. Expansion by means of integration of the processes of production was barred by the pre-industrial status of technology.

To be sure, the concept of the natural reward of labor did not disappear from the thinking of the industrial era. Nevertheless, it ceased to play a dominant part in the determination of the social and economic position of the laborer. The possibility of intensifying the process of production through technological innovations subsequently made possible a substantial increase in the share of the laborer. The static, natural reward became a flexible one, moving forward with the technological changes instituted by the industrial entrepreneur.

One of the chief concerns of Adam Smith, the father of industrial political economy, was that the flexibility of wage rates be interfered with as little as possible. Smith abandoned the preference for agricultural interests to which Turgot, despite all his progressive views, adhered. Smith's view is set forth bluntly in the following passage from the *Wealth of Nations*: 'Those systems, therefore, which prefer agriculture to all other employments, in order to promote it, impose restraints upon manufacturers and foreign trade, act contrary to the very end which they propose, and indirectly discourage that very species of industry which they mean to promote.'¹¹ Smith saw that this thwarting of the ends of the agriculturists was due to the decrease in the purchasing power of the potential customer, the industrial town population. Simultaneously, he condemned the mercantilist position for its favoring of one set of producers as against another, at the expense of the consumer.¹²

Not stopping there, Smith went on to attack the colonial merchants themselves by proclaiming that the colonies had a free right to establish their own industrial enterprises. He particularly encouraged emigration of skilled artisans to the

American colonies, a policy that at the time was forbidden. Smith aimed to make the domestic industrial entrepreneur his own judge in deciding where to get raw materials, what kind of goods to produce, and where to find a market for the sale of his products. He limited the crown to a restricted source of revenue, barring the interference of the sovereign in the economic decisions of individual producers. He made it clear that 'The proper performance of those several duties of the sovereign necessarily suppose a certain expense; and this expense again necessarily requires a certain revenue to support it.'¹³ This seemingly elementary statement can be considered as laying the foundation for the contemporary system of taxation. Although the expenses of the crown had been curtailed since the proclamation of Magna Carta, this limitation had been confined to the amount of the sovereign's income; the limitations did not explicitly touch upon the source of this income. The specification of the income source of the sovereign symbolized an approach to a taxation system, regulated and maintained systematically, and it relieved the energies of the entrepreneur from any fear of unsuspected and unexpected drives upon his economic gains.

The market mechanism, according to Smith, worked as an interplay of 'natural price and market price.'¹⁴ By 'natural price' he meant the long-run social and economic conditions that bear on production and distribution. The 'market price' was to him not more than a single adjustment of effective demand to actual supply. With this approach, the natural price and its derivative, the natural reward for labor, were transformed from a universal into a historical concept. Smith's concept of the natural reward for labor lends itself to a historical analysis that this term was not supposed to admit at the hands of Smith's predecessors. The natural reward for labor was not made, prior to Smith, a link in a chain of reasoning; it was kept in a shrine as an ultimate.

As employed by him, it became an element in a new system of thought. The foundations of this system were still those of Hobbes and Hume. The structure of Smith's edifice, however, became quite different in shape from that of its mercantilistic and physiocratic predecessors.

6

ECONOMIC EQUILIBRIUM

LABOR AND PROPERTY have been treated as correlated concepts in the ideology of Harmony in the Estate. They are correlated also in the ideology of Balance in Marketing. The static ecclesiastical order called for a static view on labor reward and property distribution; just price of labor and social equality furnished the appropriate symbols. The dynamic nature of the Marketing Order found its reflection in the dynamic concept of natural reward for labor. Its counterpart in the field of property relations we find in the concept of equilibrium. This concept symbolizes the fluid character of property relations in the marketing society.

The process of acquisition of property in the ecclesiastical era was shaped by the corporate privileges of the guilds. In the early mercantilistic period the privilege of acquisition of property had been bestowed by the crown upon privileged merchant companies. The progress in accumulation of wealth made the individual property owner more self-reliant. This increasing individual independence in acquisition of wealth became articulate in Adam Smith's thought. He also gave expression to the increased importance of property titles in an industrial society. As compared with the ownership of stocks of commodities sold by the colonial merchant, property of an industrial establishment is a more durable means of ownership. It requires a more complex regulation for the holding and the transfer of legal titles.

The concept of contractual liberty, as expounded by Adam Smith, laid the foundation for a mode of economic thought in which transactions between individuals became the sole regulator of the socio-economic process. The individual and his action became fully mature; he no longer required any sanction by the ecclesiastical authorities, and, moreover, he kept the secular authority of the state at a distance and limited its role to such interference as might be required to protect one individual against unauthorized authority assumed by another individual. The sovereign prince and the privileged tradesman had played their roles as inaugurators of the contractual order. The industrial entrepreneur now moved into the foreground of the social picture. He had to take action on his own responsibility and was guided only by his self-interest. Smith postulated competitive self-interest as the master principle guiding the social order. His major social objective was to grant the greatest possible freedom to the play of competitive self-interests. He assumed that this principle was sufficient to effect at all times a just balance in economic conditions and social relations.

Smith opposed the existing restrictions placed upon the mobility of labor. In this respect he was in full agreement with Turgot. Both saw similar historical tasks before them, for both felt themselves impelled to advance ideologies in opposition to the Estate Order. The empirical situations they faced were different. Smith looked out on a scene in which British foreign commerce was attempting to continue its dominance over the economic life of Great Britain by granting one set of manufacturers special privileges denied to others. Turgot, on the other hand, was confronted with an uneven balance of agricultural over industrial production in France's domestic economy. It was the resulting differences involved in the concrete task of displacing the Estate Order

in the two countries that were largely responsible for the variations between the views of Smith and Turgot. The industrial-exchange conception of Smith and the agricultural-exchange notion of Turgot and his fellow physiocrats are products of different historical settings.

The correlation of the concept of property with that of labor contains the crux of Smith's systematic thought. In his *Lectures*, he is at pains to point out that private property is not an eternal but a historical category. The same point is implied in the opening of his chapter on Wages in the *Wealth of Nations*, which reads: 'The produce of labour constitutes the natural recompense of wages of labour. In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him.'¹

Smith postulated natural recompense for labor as a characteristic of primitive society, with tribal ownership of the natural resources; such natural recompense,* he declared, had disappeared with the inauguration of individual property relations. The way for the laborer to regain part of his share of the product in the world of property relations was through free disposal of labor power. The property of labor power in the Estate Order was at the disposal of the guild or the manor, as a corporate body. The administrative restrictions of the parish amplified this bondage during subsequent periods. The industrial exchange economy called for the right of the individual to act on his own account. In advancing this view for all strata of the population, including the laboring group, Smith helped the latter to gain an autonomous status as a contracting party. But, in freeing the

* Natural recompense for labor should not be considered as identical with Smith's use of the term natural price for labor. Smith regarded the latter as a concept of the competitive marketing society.

individual, and in particular the industrial laborer, from all corporate restraints, he was careful to erect barriers against re-enslavement. He made it explicit that labor power should only be rented or hired, not sold.*

Smith expounded the bargaining position of the laborer as follows: 'What are the common wages of the laborer, depends everywhere upon the contract made by two parties; whose interests are by no means the same. The workman desires to get as much, the master to give as little, as possible.'² Smith used the artisan term, 'master,' but he did not carry over the conception of an artisan economy wherein wages were determined by custom. Smith fully realized the weakness of the bargaining position of the laborer. 'Many workmen,' he says, 'could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long run the workman may be as necessary to his master as his master to him; but the necessity is not immediate.'³

Smith was forced to accept the fact that the 'master' generally has the advantage in wage bargaining. He did not, however, go so far as Cantillon in excusing the low wage level of the laborer in the early period of merchant capitalism by comparing it with the worth of slave labor. He was conscious of the fact that diametrically opposite forces were at work in an exchange order in which labor was free to dispose of its labor power and in the slave order in which labor power was the property of the slave owner. It was this realization that kept Smith from the full acceptance of the subsistence theory of wages. He realized that 'there are certain circumstances, however, which sometimes give the laborer advantage and enable him to raise his wages con-

* It should be granted that Thomas Aquinas made the same provision. However, the difference in its enforcement in the corporate order promulgated by Aquinas and in the individualistic order furthered by Smith makes the same statement assume two different socio-historical aspects.

siderably above this rate.’⁴ This possibility seems real to him, within a range of technologically advancing production methods. ‘The annual product of land and labor of any nation,’ he remarks, ‘can be increased by no other means but by increasing the number of productive laborers or the productive powers of the laborers, who had before been employed.’⁵ In this statement both alternatives are embodied: the consumption theory of wages and the production-power theory of wages. In a society based on private ownership of the means of production, the production theory is apt to be used predominantly in the interests of the owner of the means of production, the employer. By production power is meant plant-production capacity, the utilization of which is determined by profit interests of the enterprise. The marginal utility theory of wages, correlating wage, interest, and profit rates, as advanced by John Bates Clark in his *Distribution of Wealth*, presents a particular refinement of an employer’s theory of wages in the competitive market. In contrast, the laborer, selling his services in a Marketing Order, will find his own interest most substantially defended in the consumption theory. Its derivative is the purchasing-power theory of wages, correlating wage standards with the price of living commodities. It is the theory commonly adopted by trade unionists.

Smith did not commit himself on either of these wage theories. Commitment depends upon the side one takes in the employer-employee relation. He was himself concerned only to state the issues and show the lines of demarcation. In the latter he was careful to limit the scope of the inquiry by drawing a line between productive and non-productive labor. ‘Menial servant labor’ was representative to him of the latter. He assumed that non-productive labor burdened the consumptive fund of society, without increasing its capacity for accumulation. This line of argument makes it

clear that Smith was concerned, first of all, with the promulgation of the industrial order and its participants.

Smith's ideological system presupposed a self-adjusting equilibrium of the labor market. He was content to envisage this equilibrium as the swinging pendulum of a perfectly competing individualistic society. He did not, however, incorporate his notion of competition into a broad picture of the socio-economic process. This task was undertaken by Jean Baptiste Say, one of Smith's most ardent followers. Say provided us with the following impressive presentation of the self-perpetuating economic balance:

It is observable . . . that precisely at the same time that one commodity makes a loss, another commodity is making excessive profit. And since such profits must operate as a powerful stimulus to the cultivation of that particular kind of product, there must needs be some violent means, or some extraordinary cause, a political or natural convulsion, or the avarice or ignorance of authority to perpetuate this scarcity on the one hand, and consequent glut on the other. No sooner is the course of this political disease removed, than the means of production feel a natural impulse towards the vacant channels, the replenishment of which restores activity to all others.⁶

This is a classic formulation within the framework of the marketing ideology, although, like any programmatic pronouncement, it has its specific historical limitations. Smith was mostly concerned with the removal of the barriers of corporate privileges of the merchant and of the artisan that were hindering individual enterprise, whereas Say's main objective was the elimination of the interference of governmental agencies. At the same time, Say ignored the industrial aspect that formed the main characteristic of Smith's analysis. Say made his exposition an expression of the economic process of merchant capitalism. In it we see the for-

mer princely merchant clamoring for his lost position of primacy. The social and economic forces of industrial capitalism had already, however, become dominant. The best the merchant could hope for any longer was to share a place with the rising industrial entrepreneur. It did not help the merchant to throw off, with Say's assistance, the mantle of mercantilistic privileges and to enter the industrial arena in the garb of free competition; there was no seat left for him in the first row.

Say's preoccupation with the merchant, at a time when industrial society was already experiencing its first set-backs, made this classic equilibristic exposition particularly vulnerable. Say's French compatriot, Sismondi, who had observed the economic situation in France and England, challenged the equilibristic notion of society with the following pertinent remark: 'The equilibrium among the gains of rival occupations, on which modern economists have founded their calculations, has never been attained, except by the destruction of fixed capital, and the mortality of the workmen engaged in a losing manufacture.'⁷ *

This is the first statement on the intrinsic disequilibrium of the industrial economic system in the Marketing Order, and as such it is the first attempt to rationalize the phenomenon of economic dislocations. In this sense it is the first approach to the so-called theory of economic crisis. In attempting to find the causal relationship, Sismondi leaned towards the consumptionist ideology in stating that 'The most important fact is the income, and by the income must be regulated consumption or expenditures, or the capital will be destroyed.'⁸ This emphasis on the consumptionist aspect in its social implication indicated a shift towards the

* Malthus's theory of over-population may be regarded as an elaboration of this particular statement of Sismondi. Malthus's tract on population is an expression of maladjustments between changing social needs and technological advancement.

interests of the non-owners of the means of production, of which the day laborer formed a major section.

Although Sismondi had ample opportunity to observe the social effects of the introduction of machinery on an ever larger scale, he did not treat the impact of technological innovations on the socio-economic process as a basic phenomenon in its own right. It was David Ricardo who first incorporated the economic impact of machinery into an interpretation of the socio-economic process. Ricardo himself developed his views on the subject only gradually. He traced the evolution of his thinking as follows: 'I have been of the opinion that such an application of machinery to any branch of production should have the effect of saving labor, was a general good accompanied only with that portion of inconvenience which in most cases attends the removal of capital and labor from one employment to another.'⁹ This exposition is in conformity with the equilibristic position of Adam Smith, redefined by Ricardo himself in the statement: 'Production creates consumption.' But the presence of chronic mass unemployment forced Ricardo to do more thinking. He eventually reversed his earlier view, admitting that the Smithian conception did not fit into the changed industrial world. 'My mistake,' he tells us, 'arose from the supposition that whenever the net income of society increased, its gross income would also increase; I now, however, see reason to be satisfied that the one fund, from which the landlords and capitalists derive their revenue, may increase while the other, that upon which the laboring class mainly depends, may diminish, and therefore it follows, if I am right, that the same cause which may increase the net revenue of the country may at the same time . . . deteriorate the condition of the laborer.'¹⁰

Ricardo regarded the social distribution of wealth as a factor hindering the readjustment of the economy to changes

demand by the intensified use of machinery. He amplified the change in his views by stating that his point concerned the sudden introduction of improved machinery. In commenting on the writings of his contemporary, Barton, Ricardo maintained, 'It is not easy to conceive, I think, that under any circumstances an increase of capital should not be followed by an increased demand for labor; the most that can be said is that the demand will be in a diminishing ratio.'¹¹ This view maintained that a diminishing share in total wages accompanies an increased share of total capital invested in machinery. It is the most profound logical concept of technological unemployment within the scope of the marketing school. Yet all his deep insight into technoeconomics did not make Ricardo change his social views. He advocated wage decreases as an adequate means of readjustment of the labor market, thus placing on the laborer the whole social burden resulting from the technological disequilibrium. The reason for this limited outlook is not far to seek. Ricardo was a representative of the British speculator class, which derived its profits from the fluctuations of the economy. He had, therefore, no interest whatsoever in stabilizing production and employment, because it would have eliminated the source of his income. His keen insight into the impact of advancing technology narrowed down abruptly in scope when it came to drawing social conclusions.

Not all Britons, however, were speculators and speculatively minded at the time when Ricardo wrote. The Reverend Thomas Malthus spoke for that part of the British public who had no direct interests in speculative investments. He argued that: 'In prosperous times the mercantile classes often realize fortunes, which go far towards securing them against the future, but unfortunately the working classes, though they share in the general prosperity, do not

share so largely as in the general adversity. They may suffer the greatest distress in a period of low wages, but cannot adequately be compensated by a period of high wages.' ¹² Adequate empirical backing for Malthus's contention is to be found in our own contemporary investigations. Paul Douglas, for instance, has demonstrated in *Real Wages in the United States, 1890-1926*, that wages in American industry lag behind increases in productivity even in times of prosperity. The terminology has changed since Malthus expounded his views, but the essence of Malthus's thoughts on the market rates of wages remains unchallenged.

In order to alleviate the distress of the worker during periods of long-term unemployment, Malthus suggested public works. He asked Say and Ricardo to consider, in dealing with recurrent mass unemployment, that 'Eight or ten years recurring not infrequently are serious spaces in human life.' ¹³ Ricardo rejected Malthus's suggestion of public works, claiming that the interests of the capitalists are sufficient to restore the economic equilibrium. Malthus, however, stood his ground, pointing out that 'When Hume and Adam Smith prophesied that the little increase in national debt beyond the amount of it would probably occasion bankruptcy, the main cause of their error was the natural one of not being able to see the vast increase of productive power to which the nation would subsequently attain.' ¹⁴ This was heresy to Ricardo, who vehemently disagreed with Malthus, on the ground that any interference of the state is to be opposed in principle, regardless of its effect on economic conditions. Ricardo's counter-argument was in essence an attempt to forestall a revision of the individualistic, equilibristic conception of society and economy, under which the industrial order had made its entrance. The conception of equilibrium, which had helped to remove the barriers erected by the guilds and trading

companies, became itself a barrier against the attempts to correct later maladjustments. Obviously there was need for a revised ideological concept to serve as a lever. On purely logical grounds, the controversy between the advocates and opponents of public works and state interference in times of economic emergency can never be solved. More than a hundred years after Malthus's debate with Ricardo, the same subject became a matter of discussion among leading contemporary economists. The Swedish conservative, Gustav Cassel, assumed Ricardo's role, and the German liberal, Emil Lederer, took over that of Malthus.¹⁵ Logically, both applied excellent arguments, but the issue remained unresolved. An effective decision, pro or contra, can now, as a hundred years ago, be made only on ideological grounds. These grounds extend further than mere economic reasoning; they necessarily include social and political implications. In this connection, Malthus's statement may well be recalled, that 'Political economy bears a closer resemblance to the science of morals and politics than to that of mathematics.'¹⁶

John Stuart Mill tried to push the controversial socio-political issue aside by elevating the law of supply and demand to the position of sovereign determinant of the price of labor. He deliberately neglected the social forces that govern the law of supply and demand on the labor market. This elimination of the social factor by Mill precluded a historical analysis of the wage fund; and this forced him to fall back upon the natural price of labor thesis of the pre-industrial era. Mill had to retreat from his position, however. The challenge came from Thornton,¹⁷ who demonstrated that the bargaining power of the laborer could be strengthened by the coalition of the workers. With this admitted, the whole individualistic conception of labor relations suffered a distinct setback. A new collective body that limited the liberty of the contracting parties had gained entrance

into industrial society. The problem of the correlation of contractual liberty and collective action in the sphere of labor relations moved into the forefront of social dynamics, where it has been kept right down to the present time.

The equilibristic notion of the Marketing Order, since Hobbes, has been projected into the sphere of property relations, rationalizing inequalities in ownership. Quesnay and his physiocratic school shifted the emphasis of this rationalizing process by centering the attention on inequalities of income. Both types of equilibristic thought have considered the non-owner of the means of production as a social anomaly. The social duty assumed by the owner of the means of production to keep the underprivileged from starvation by furnishing employment opportunities was considered by the early marketing ideologists a sufficient counterbalance to existing social inequality. Behind this view was the belief that the artisan society with equal distribution of property was only temporarily suspended. Not until the establishment of manufactories requiring a concentrated standing working force was the laborer declared a constituent social stratum of the marketing society. Adam Smith was most instrumental in advancing this view. The laborer was no longer regarded as a temporarily displaced town artisan or farmer. Smith gave the laborer a chance to increase his share in the social product by bargaining with the employer. This theoretical opportunity was enhanced by the arguments of Thornton and of John Stuart Mill. They recognized the specific weight of the collective of laborers on the economic equilibrium. But what level the equilibrium was supposed to attain and what share the laborer had a chance to attain, no marketing economist has ever stated. As a matter of fact, such a statement would have been contrary to the equilibristic notion itself, which symbolized a vacillation around something unknown. Critical marketing economists, such

as Malthus, Ricardo, and Sismondi, were doubtful about the possible extent of the realization of economic gains by the laborer. In their view, the chance given the laborer to increase his share in the social product was constantly threatened and often annulled by economic dislocations. In consequence, the chance for the laborer to turn the scales of the economic equilibrium in his favor could not become effective in the long run. This pessimistic view provided the basis for the most devastating criticism of the Marketing Order as a whole, undertaken by Karl Marx and Friedrich Engels.

III. STRUGGLE AMONG CLASSES

7

DIALECTICS OF THE SOCIAL PROCESS

BOTH THE ECCLESIASTICAL AND THE MARKETING IDEOLOGIES set out with the assumption that the specific pattern of thought they promulgated was the only real and true one and had therefore a claim to permanent validity. While the ecclesiastics postulated the eternity of God, the marketing ideologists based their claims on the eternity of physical nature. Both postulations are ahistorical, in the sense that their presumptions embody principles lying outside the sphere of human history. The ideology that evolved in opposition to both existing trends of thought grew out of this challenge.

The founder of the oppositionist ideology, Karl Marx, made his approach clear in a statement attacking the absolutist claims of the marketing ideologists: 'When the economists say that the present conditions—the conditions of bourgeois production—are natural, they give to understand that these are conditions in which the creation of wealth and the development of the productive forces are effectuated according to natural laws. Consequently the conditions themselves are natural laws independent of the influence of the time. They are eternal laws which always govern society.'¹

Behind this statement stands Marx's plea for a historical treatment of all ideologies. While marketing economists had asserted the identity of the Law of Nature with the Law of Man, Marx recognized only an analogy. He thus made it possible to conceive of socio-historical necessity as distinct from natural necessity.

Criticism of the assumption that any ideology can be eternal is followed by the proclamation of the principle of historical development. Friedrich Engels, Marx's alter ego, expounded this principle in the following passage: 'History, precisely like knowledge, can never achieve final perfection in an ideal state of humanity; a perfect "society," a perfect "state" are things which can exist only in phantasy; on the contrary, all succeeding historical periods are only transitory steps in a never-ending course of development of human society from Lower to Higher. Each step is necessary, and therefore justified for the particular time and conditions out of which it originates; it becomes obsolete and unjustified, however, in relation to new, higher conditions, which gradually develop in its own lap.'²

This restriction of concepts to a particular period and to a given stage in intellectual development should presumably apply also to the class-struggle principle developed by Marx and Engels. Engels said of the class-struggle ideology that 'it is destined to do for history what Darwin's theory has done for biology.'³ Yet he would have to admit, in accordance with his own principle of the relativity of scientific generalizations, that Darwin's theory is not to be considered as any more eternal than the theories of the older natural philosophy. Consequently, its historical counterpart, the class-struggle concept, may not justifiably be regarded as valid for all time and under all conditions.

The methodological instrument that limits the claim of

any human insight to finality is the principle of contradiction expressed in the form of dialectics. Marx was first introduced to dialectical thought by Hegel, an idealistic dialectician. Hegel's dialecticism was reminiscent of Jesuitic dialectics, which placed only the social means under the reign of the principle of contradiction while elevating the ends to the heights of eternal majesty. For the divine infallibility of the ecclesiastical authority, Hegel substituted the infallibility of the highest secular authority.⁴ The dialectical method was excluded from the sphere of supreme state power. Hegel's views were directed by his objective, the preservation of the semi-feudal order of the Prussian state.⁵

Marx and Engels, interested in a basic change in the social structure, had to modify the application of the dialectical method. As prerequisite they had to launch an attack on the epistemological basis of idealistic philosophy. In this task they were aided by their contemporary, Ludwig Feuerbach. Feuerbach accused Hegel of taking over ecclesiastical concepts into secular philosophy.⁶ He simultaneously attacked the axiom of ecclesiastical thought, that man is the image of God. To Feuerbach God was the image of man, since thought was a reflection of the mode of life.⁷

Marx and Engels advanced beyond Feuerbach's materialistic sensualism. They pointed out that social thought is not only a passive expression of the mode of life, but that it exerts in turn an important influence on changes in the way of living.⁸ Marx particularly emphasized the mode of production and distribution as an important factor in institutional changes.⁹ In correlating thought and the technoeconomic pattern of human life, Marx and Engels laid the foundation of historical materialism.¹⁰ The rhythm of the historical process Marx and Engels conceived as thesis, negation of the thesis, and negation of negation of the thesis.¹¹

They did not assume, as did Fichte,¹² that a status of social perfection lies within the range of human history. Even the ideal classless society was not conceived as an all-time high of social development. It was not exempt from the dialectical negation reigning over all social thought and action.¹³ The dialectical interpretation of history furnished for Marx and Engels the means for analyzing the continuity of the historical process. It made it possible to forge a link between the past and the future.

The consistently historical line of Marxian thought laid it open to an empiricist reinterpretation. Eduard Bernstein, the inaugurator of Marxian revisionism, assumed that techno-economic development, as presented by Marx, did not necessarily call for the application of the dialectical method. Bernstein did not deny that the human being can change the course of history.¹⁴ But he maintained that these changes can effect no more than minor adjustments. He thought primarily of changes in existing institutions, while neglecting the social and political forces supporting and changing institutional systems. Such a limitation of social vision is, according to Marx, characteristic of a philosophy of opportunism.¹⁵

To Marx and Engels dialectics presented a means to approach a change in class rule. Their dialectic envisages a complete reversal of the social structure of the Marketing Order. As such it is in essence a revolutionary ideology. Bernstein's aims were anti-revolutionary. He disregarded the dialectical implications of class struggle because he was eager to link Marxian thought to social reform. He attached the Marxian ideology to the latest edition of the Law of Nature conceived as naturalistic evolution.

The secular Law of Nature had gone through several stages of development. From its first zoological appearance

with Hobbes, it changed to a physiological expression with Quesnay and a mechanical perception with Smith. Its later anthropological interpretation it received from Herbert Spencer. All variations of the Law of Nature are based on the assumption that causation in organic nature and in human history is identical. The economic laws of the Marketing Order are all conceived under this axiom. Spencer's view on the identity of organic and human historical evolution fits into that pattern of marketing thought. Bernstein provided the intellectual means of linking Marxian thought and action to Spencer's naturalistic view of evolution.

The human being is symbolically regarded by all marketing ideologists as an image of an animal species. Spencer and Bernstein accepted this naturalistic conception of man. In Marx's and Engels' view man rises above the forces of nature by constantly molding and remolding them. As Engels specifically stated, man can react upon nature, change it, and create new conditions of existence.¹⁶ It should be granted that Marx and Engels had accepted the concept of evolution as a symbol of social development. But they visualized evolution not as a blind force of nature but as a conscious development of human thought and action. Spencer's and Bernstein's concept of naturalistic evolution is opposed to Marx's and Engels' concept of historical evolution.

The elimination of dialectics from social analysis advocated by Bernstein was dictated by his aim, which was to preserve the fundamentals of the Marketing Order. The disregard of the dialectical method can, on the other hand, be brought about by ultra-revolutionary objectives. The latter was the case with Bakunin, whose disagreement with Marx concerned the interpretation of the concept of liberty. This concept, which under the symbol of Free Will and Natural Law plays such a wide part in the ideologies

of Harmony in the Estate and Balance in Marketing, is little represented in the exposition of the Class-Struggle ideology. Its comparative neglect by Marx and Engels is due to the assumption that individual freedom is basically dependent upon the success of the struggle for freedom, forced upon society as a whole. Freedom for the society is viewed as dependent upon the elimination of private ownership of the means of production—which meant to Engels the leap from the realm of necessity to the realm of freedom. The establishment of collective freedom does not mean the return to individualistic freedom directly after the transformation from the non-socialistic into the socialistic order. Marx demonstrated this in his argument against Bakunin's anarchistic position. Bakunin attempted to rescue the conception of the natural individualistic contractual liberty from extinction by proclaiming its supremacy in all social systems.¹⁷ He did not care for any dialectical analysis of the concept of freedom. He was ready to launch a revolution at any time to rescue individualistic freedom from its suppression by the state.

The whole intellectual effort of Marx and Engels was challenged by such extemporaneous revolutionizing. Marx and Engels had devoted their lives to the task of analyzing the historically conditioning factors of social change.* Marx insisted that individualistic liberty had been *the result* of historical development in all times and in all social orders, and that the new socialistic order he envisaged was no exception. To be sure, Marx admitted that the state with its coercive power would wither away in due time, but this 'due time' might not be expected to come at once after the old order is overthrown. Collective authority and individual liberty are to Marx and Engels not rigidly correlated with each other. Neither of them has a claim to predominance

* Compare section on Syndicalism, Chapter 17.

in all times and under all historical conditions. Both depend upon the course of historical development within the particular setting into which they are brought. The setting furnished by Marx and Engels is the abolition of private ownership of the means of production, foreshadowed by increasing intensification of the class struggle. The preservation of the setting, once established, is the primary objective in the process of maintenance of a new order. The aim of the preservation of the new setting may, in the first period after its establishment, require an additional emphasis on the rights of the collective, and this may mean authoritarian guidance. A firm entrenchment of the new order will warrant a gradual relaxation of the authoritarian collective grip and its supplanting by more and more voluntary collective support. As in all instances of past history, and particularly in the history of the Estate and Marketing Orders, individual freedom can only be understood in its continuously changing relation to the historically determined political authority. The socialist order envisaged by Marx is in that respect no exception.

The flexibility in the relationship of authority and freedom is valid, however, only in a historical sense. In an ideological context we have to discern essential differences in social objectives. The corporate liberty of the town artisan community of the thirteenth century differs in principle from the individualistic freedom of acquisition characteristic of the early Marketing Order. Both in turn are apt to differ from the type of liberty of a classless society. The marketing liberties that freed the American merchant and farmer from feudal domination cannot be transplanted into a non-marketing society.

The principal relationship of authority and freedom in each ideology is mutually exclusive. This exclusiveness characterized ideologies as major divisions of thought. In the

three ideologies subject to treatment in this treatise this principal division appears as follows:

In the ecclesiastical ideology of Harmony in the Estate, as the supremacy of common interest over individual interest;

In the marketing ideology of Balance in Marketing, as the supremacy of the individual interest over the common interest;

In the Class-Struggle ideology, as the identity of common interest with individual interest.

These three conceptions are characteristic of qualitative divisions in basic assumptions directing social action. A qualitative distinction expresses the historical content of the metaphysical form. A qualitative analysis can make use of quantitative methods. But a quantitatively endorsed argument does not in itself reach the heights of a qualitative distinction.¹⁸ Neither can a pragmatic approach rule over qualitative alternatives. Pragmatism is concerned with the most effective correlation of means to ends. A qualitative analysis involves, however, a redirection of ends regardless of the convenience of means. In this regard an ideological analysis is qualitative in its very essence.

The pragmatic approach and its quantitative counterpart are particularly strong in American social thought. American thinkers have been spared the tremendous intellectual effort of their European predecessors who broke the ecclesiastical domination of thought. When American thinking first manifested itself, the Marketing Order shaped American social life. The ideological foundation of the Marketing Order was taken for granted by American thinkers. Within the marketing setting, pragmatic inquiries into the most effective means of social adjustment proved extremely fruitful. Pragmatism falls short, however, when it comes to reach a decision on most far-reaching ends. This shortcoming is particularly apparent in a time when the very foundations of the Market-

ing Order are increasingly questioned. A comparative study of ideologies expressing qualitative differences of thought becomes imperative. Marx's criticism of the Marketing Order and, in particular, his view on compensation of labor and economic disequilibrium provide an excellent instrument for such a demonstration.

WAGE SLAVERY

THE DOCTRINE of class struggle can be incorporated into an ideology furthering the interests of any class in society. Attempts to identify the class-struggle doctrine with the interests of the ruling classes have not been wanting. Guizot ¹ and Lorenz von Stein ² formulated the most typical exposition of the ruling-class position. It is the distinction of Marx and Engels to have placed the emphasis on the non-ruling classes. From a purely logical point of view, both kinds of interpretation are permissible. But it is important to recognize that the class-struggle doctrine established by Marx and that formulated by Guizot and von Stein are not identical in the ideological sense. Any claim in this direction would have no methodological foundation.

The particular concept that permitted Marx and Engels to shift their interpretation of the class-struggle doctrine to the interests of the non-ruling class was based on their view of exploitation. The original type of exploitation Marx and Engels had in mind was that of the agricultural, slave-owning society. This type of society made a sharp distinction between the property-less slave and the proprietor slave owner. Not only the slave himself, but everything that the slave possessed and acquired belonged to the slave owner. This rigid conception of slavery in pre-industrial society obviously was not applicable in its full meaning to the later social system built around freedom of contract. Marx and

Engels accomplished the readjustment of the concept of slavery to the society of free contracting individuals by advancing the following comparison in the form of questions and answers:

Question: How does the proletarian differ from the slave?

Answer: The slave is sold once and for all. The proletarian has to sell himself hourly.³

In the following dialogue they distinguished between the industrial proletarian and the semi-slave of the feudal order:

Question: How does the proletarian differ from the serf?

Answer: The proletarian works with another's instruments of production for the account of this other person, in return for part of the produce. The serf makes a return, whereas the proletarian receives a return from the owner.⁴

Marx and Engels see the principal characteristic of semi-slavery in the Marketing Order as the collectivization of slave ownership. They contend that the individual proletarian is, so to speak, the property of the whole class of the bourgeoisie. In support of their thesis, they describe the alienation of the product of labor from the producer-laborer as follows: 'The expropriation of the worker from his product has the result not only that his work becomes external to the product of that work, but his work becomes an independent force confronting him as a thing alien to him. Thus the life that he has given to the product of his work confronts him as an antagonistic, alien thing.'⁵ This alienation of the product of work was, according to Marx and Engels, characteristic of the whole era of contractual liberty.

Marx devoted his attention particularly to the transformation that had taken place in the concept of exploitation of labor in the era of industrial capitalism. He attacked this problem by demonstrating that the process of production

itself was a socio-historical category. He claimed that Adam Smith and the school of industrial economics he inaugurated, which included Ricardo, had treated the process of industrial production as a universal techno-economic category. On this point Marx advanced the following view: 'All production consists in appropriation of nature by an individual within and through the medium of a particular form of society.'⁶ Amplifying this statement, he said: 'In this sense it is a tautology to say that property appropriation is a condition of production. It is ridiculous to jump from that fact to making a particular form of property, for example, private property, a condition of production.'⁷ The point Marx made was that the specific mode of capitalist production, based on private ownership of the means of production, was a historically conditioned circumstance and not intrinsic to production itself. And to this particular historical concept he devoted his inquiry.

Marx's analysis transformed the allegedly absolutistic interpretation of exploitation into a historical concept of surplus value, i.e. 'value in excess of the equivalent advanced by the capitalist.' In the concept of surplus value we observe a reversal of the socio-economic approach inaugurated by the physiocrats; for they had viewed as sterile the role of all occupational groups not directly connected with agriculture. Quesnay and his followers, concerned with the interests of the agriculturalists, had to deal with the competition of the colonial merchant and early manufacturer. Marx, on the other hand, sought to promote the interest of the industrial laborer against that of the industrial entrepreneur.

Among Marx's outstanding critics, the pre-revolutionary Russian economist Mikhail Tugan-Baranovski sought to demonstrate that surplus value is not necessarily a focal

point of Marxian thought. Tugan-Baranovski attacked Marx for not analyzing labor costs and labor value separately, independently from each other.⁸ He failed to realize that it is exactly the integration of labor costs and labor value that enabled Marx to treat compensation of labor as an element of the socio-economic process as a whole. Tugan-Baranovski relegated the definition of labor costs solely to the sphere of production. For the widening of the scope of his analysis, he relied on Boehm-Bawerk.⁹ Boehm-Bawerk had substituted psychological for logical analysis. In the sphere of economics his psychologistic approach was an innovation, while in social science in general its application was nothing new. Psychologistic analysis has been particularly emphasized since the period following the French Revolution. Destutt de Tracy presents a typical example of a psychobiological interpretation of social issues in his *Eléments d'Idéologie*. Psychological interpretation was substituted for logical, to preclude a qualitative distinction of ideological differences. Psychological categories, used to camouflage logical distinctions of systems of thought, prevent a logico-historical understanding and becloud social vision. In direct consequence of his psychologistic approach, Boehm-Bawerk himself asserted that his economic concepts were equally valid for a Marketing and Socialistic Order.¹⁰ From such a point of view any basic social change becomes senseless. To demonstrate this thesis against Marx was Boehm-Bawerk's ultimate objective.

In the light of a logico-historical analysis Boehm-Bawerk promoted the interests of absentee ownership; Nicolai Bukharin attached to Boehm-Bawerk's marginal-utility theory the name of the political economy of the leisure class.¹¹ Boehm-Bawerk's treatise *Kapital und Kapitalzins* could be more specifically termed the economic theory of finance

capitalism. To Boehm-Bawerk the economic evaluation of the industrial investor seemed the principal determinant of the socio-economic process.

Leaning on Boehm-Bawerk, Tugan-Baranovski suggests a subordination of the concept of labor costs to the evaluation of the finance capitalist. What such a proposal has to do with Marx, whom Tugan-Baranovski professes to interpret, is difficult to see. According to Marx, the laborer, not the capital owner, is the evaluator of the economic process. In justice to Tugan-Baranovski it should be stated that in the course of analyzing the theory of profit he himself becomes aware of the futility of his efforts to link Marxian thought to Boehm-Bawerk's theory of finance capitalism.¹² Tugan-Baranovski's venture is just another illustration of how meaningless an intermingling of concepts can become when the theoretical argument is detached from its ideological source. Any analysis of the Marxian concept of surplus value has to be undertaken within the boundaries of the Class-Struggle ideology. Within this context surplus value remains an integral part of Marxian thought.

In addition to surplus value, Marx introduces a subsidiary concept, that of 'labor power.' To Marx, labor power is labor expanded as distinct from the living body of the laborer. This concept of labor power makes it possible to start the analysis of labor reward within the process of production, thus breaking the precedent of the classical marketing economists, who viewed labor reward solely as part of the process of distribution and circulation. This significant conceptual integration is seen in the following passage: 'The appropriation of surplus value . . . although it is inaugurated by the purchase and sale of labor power, is a transaction taking place within the process of production itself, and forms an essential part of it.'¹³

While surplus value originates in the process of produc-

tion, its outward appearance can be discussed only in the process of circulation. 'Surplus value does not appear as the appropriation of labor time, but in an excess of the selling price of commodities over the cost price.'¹⁴ Marx aimed this statement at those economists who, like Senior, regarded labor time as the factor by which surplus value could be measured, and who therefore opposed the reduction of hours of labor, with the argument that this would deprive the capitalists of the profit 'made in the last hour.' Marx contended that increases in the efficiency and productivity of labor power can far outweigh the effect of the decrease of hours on the economic gains of the entrepreneur.

Underlying the thinking of Marx was the doctrine of the iron law of wages. This conception, a derivative of the wage-fund doctrine, leaned back on the assumption of a natural price of labor. It implies that the laborer cannot expect to earn more than is necessary for his own and his family's bodily maintenance. The marketing ideologists considered a low reward for labor as a permanent necessity. Marx restated this view of the marketing school as follows: 'The material of variable capital, i.e. the mass of the means of subsistence, represents for the labourer the so-called labour fund, which was erroneously viewed as a separate part of social wealth, fixed by natural laws and unchangeable.'¹⁵

Marx, on the other hand, looked upon the low reward for labor as a historical phenomenon, the existence of which depends upon particular historical conditions. These conditions focused in the private ownership of the means of production, produce social inequality. In consequence, the laborer enters the labor contract as an unequal partner, a fact which in turn results in an unjust price of labor. To be sure, Adam Smith also observed the historical conditioning of the labor contract, but his social evaluations were

directed towards the preservation of the existing social order. To Marx, a re-establishment of a 'just price of labor for a working day' seemed possible only 'with the abolition of the wage system.'¹⁶ This Marxian postulation of a just price for labor was not a counterpart of the just price for labor developed by Thomas Aquinas. The distinction between the Marxian and Thomistic concepts becomes apparent when one considers the receiver of the full equivalent of the producer's value. For Thomas, the autonomous agent of the economic process was the master artisan, who used the tools that were his property. Marx had to deal with a different type of technology. He could have thought of supplying small units of producers with machine equipment, as did early protestants against the wage system, such as Fourier and Owen. But Marx considered this solution inadequate; for he realized that the totality of the economy had to be changed in order to inaugurate a new system of labor relations. And of this totality the process of production was only one aspect, and the processes of distribution * and circulation made up integral parts of it.¹⁷ All three interdependent phases of the economic process had to be considered together if the system of the 'just wage' was to be economically bearable and politically enforceable. Marx recognized that the transformation of the ownership of the means of production to small working units could lay the basis for a just price of labor only under an artisan type of production, with work done on order for the individual consumer. Mass production, with work for the unknown consumer and a steadily changing technology, would require an interrelated long-range direction of the economy, even after the elimination of the speculative market. With this integral conception of the social process, Marx met the

* Consumption is to Marx a factor depending on the character of the distribution of wealth.

Utopian proposals of the early socialistic thinkers; and also the later attacks of the syndicalist and anarchist schools, which entirely overlooked the interrelation of all phases of the economic process in the technologically advanced industrial economy.

Marx did not accept a rigid application of the iron wage law; he and Engels specifically emphasized its 'elasticity,'¹⁸ insisting that the 'law' expressed only a tendency. Lassalle, Marx's contemporary, on the other hand, maintained that the iron wage law implied a mere starvation level; he disregarded the increase in the productivity of machinery, which, although steadily reducing the ratio of the wage fund to the total capital fund, still allowed for an increase in the absolute amount of the labor fund. On this particular issue Marx was in agreement with Ricardo. But with all the allowance Marx made for the improvement of the conditions of labor, he was consistent in defending his ideological postulation of an 'unjust price of labor,' which was bound to remain unjust as long as the wage system prevailed. Marx pointed to the trend of employment and unemployment to back up his case. He insisted that chronic mass unemployment would be the steadily growing accompaniment of a technologically advanced economy with private ownership and control of the means of production.¹⁹ In the light of this contention, technological progress appeared rather as a curse than as a blessing for the working class as a whole.

DICHOTOMIC SOCIETY

MARX AND ENGELS claimed that the concept of class struggle permitted the analysis of all human history under one common denominator. The Communist Manifesto explicitly stated that 'The history of all hitherto existing society is the history of class struggles.'¹ Engels amplified the proclamation of the Communist Manifesto by remarking that it implied 'all written history.' The reason for this over-large generalization lies in the fact that Marx and Engels started out with the postulation of class struggle as the primary concept of social dynamics and then proceeded to reinterpret human history in terms of this doctrine.

Their approach was deductive, not inductive, and this may be seen from the fact that they adopted a twofold division of society. Kant pointed out that 'Dichotomy is the only division out of *a priori* principles'² and 'Dichotomy . . . requires only the principle of contradiction, without knowing the content of the concept which has to be divided.'³ A further proof that the Marxian approach to social dynamics is deductive may be seen in the use of the principle of contradiction. Marx applied this principle when he stated, 'The capitalist mode of appropriation, the result of the capitalist mode of production, produces capitalist private property, as founded on the labour of the proprietor. But capitalist production begets . . . its own negation. It is the negation of negation.'⁴

To be sure, historical observations, in particular observations of the socio-economic process, are strictly followed up by Marx and Engels. Nevertheless, these observations alone do not necessarily call for the dialectical interpretation as given by Marx. The observations supply, rather, the socio-historical content, whereas the form of a twofold society into which they are fitted is ready-made by Marx and Engels before they turn to history. The ideological character of his class-struggle concept is made very explicit by Marx in the following statement: 'Bourgeois historians long before me presented the historical development of the struggle of the classes and bourgeois economists illustrated the economic anatomy of classes. What I contributed was the demonstration: (a) that the existence of classes is conditioned by specific historical struggles in the development of production, (b) that the class struggle necessarily leads to the dictatorship of the proletariat.'⁵

Here we see an open admission of the particular social objective of Marx's class-struggle doctrine. A class-struggle conception expounded by the bourgeois economists, as Marx calls them, would have had to be incorporated into their view of a social equilibrium attained by means of the market mechanism. This equilibrium is regarded as symbolic of the community of interests of the owners and non-owners of the means of production. As opposed to this, the class-struggle conception of Marx and Engels views the market as a social disequilibrium, embodying the antagonistic interests of two social opposites.

Marx and Engels recognized that their conception of irreconcilable class antagonism was not applicable to an intermediate social stratum, the so-called middle class. In order to give the principle of class antagonism unrestricted reign over the sphere of social dynamics, they had to discover a rationalization of the eventual elimination of this

intermediate stratum. Faithful to their dialectical technoeconomic approach, they interpreted the disappearance of the middle stratum of society as a process of socio-economic self-destruction. This process was viewed as taking two forms. First, it was found in the disappearance of the medieval society of small artisans. This we may call the process of disintegration. Second, it was conceived as the disappearance of the smaller entrepreneurs, by being either absorbed by the bigger ones or pauperized into becoming workers. This second process we may call reintegration.

The disposition to be made of the small-scale farmer under this scheme for the eventual crystallization of society into only two classes invited Marx's attention. He viewed the peasant's position as a technological anachronism. 'His sphere of production, the parcel, does not allow in its cultivation of any division of labor, no application of science, and therefore of no versatility in its development, no variety of talents, no enrichment in social relations.'⁶ The controversy over the class role of the peasant became of particular significance in the course of the Russian Revolution. Victor Tschernoff, the leader of the Russian peasant movement, the so-called Social Revolutionary Party, maintained that, according to Marx, 'The division of society into classes is effected first of all and most closely by the conditions of distribution.'⁷ Tschernoff overlooked the fact that Marx, in the third volume of *Das Kapital*, rejected the division of income as a basis of class division.⁸ Lenin and his disciples were nearer to Marx's conception when they stated: 'According to Marx, the given relations of distribution appear to be the expression of historically given distinctive relations in production. They presuppose the latter and are conditioned by them.'⁹ The historically given condition of production, in other words, the given state of technology,

demanded according to Marx and Engels the elimination of the small peasant.

The crucial question open to debate within the scope of Marx's thesis concerns the actual technological superiority or inferiority of small-scale production in agriculture as compared with industry. A pertinent investigation into this problem was carried out by the German Marxian revisionist, Eduard David. He concludes his voluminous investigation with the statement that in agriculture 'in general, the relative position of the small production unit, as over against the large unit, is becoming more favorable with the increase in intensity of cultivation.'¹⁰ David sees his statement supported by the law of diminishing returns in large-scale agriculture. But the law of diminishing returns applies to industry as well. It therefore cannot serve as a test of technological merits and demerits of large-scale agriculture, as contrasted with industry.

The general scope of David's investigation goes far beyond the point that could be proved against Marx and Engels, who merely stated that non-mechanized production in agriculture cannot survive in an age of advanced industrial technology. That the small producer may adjust himself to the technological advancement in large-scale industry cannot be denied in the light of the history of agricultural production since the time when Marx and Engels formulated their views. The same applies to the urban artisan, who survives the age of technology with the aid of partial mechanization of his particular small-scale unit of production. It may be argued against Marx and Engels that they greatly over-anticipated the disappearance of the artisan producer. However, not the disappearance of the artisan, but the loss of his social and economic strength is the significant consideration to bear in mind in considering

socio-historical developments since the time of Marx and Engels. Finance capitalism, which turned the technical implements of production into means for speculation, had a greater influence on the change of the social structure than did the industrial revolution itself.

In justice to Marx, it must be remembered that he was working with a broad canvas. He treated the middle class as a whole in the wide era extending as far back as the rise of merchant capitalism, and he considered the interrelated processes of production, distribution, and circulation in that state of economic development. In contrast to his view of the middle class in this era is the concept of 'middle estate' characteristic of the earlier Estate Order established in Western Europe by ecclesiasticism and taken over by feudalism. The Estate Order was immobile in the sense that special privileges were determined by the relations of different corporate bodies. The individual acted merely as representative of his particular corporate body. In contrast to this, the social mobility of the succeeding Marketing Order, which in some sense we may term a class order, left the individual dependent upon his role as property owner and participant in the socio-economic process. Differing from both of these, the Marxian approach postulates class as a universal category, viewing all history as the history of class struggle. In this sense we have to treat the category of estate as a subdivision of the generic category, class. Utilizing the Marxian analysis, we may distinguish between the class concept in the Estate Order and the class concept in the merchant economy and industrial order by saying that the first was an immobile class order and the second a mobile class order. The artisan, who had formerly been a member of the immobile class order, was taken over by the mobile class order not as a former member of a corporate body but as an active participant in the competitive

economic order, where he had to assert himself in the struggle for economic survival. In this sense the artisan of the immobile class order and the artisan of the mobile class order are different social categories. The social basis for the artisan of the Estate Order disappeared in Western Europe with the sixteenth century; the middle-class artisan is still to be found in the twentieth century.

The comparative social position of the artisan in the thirteenth century and in the twentieth century is determined by the principle of social division existing in each era. The economic position of the artisan in the modern mobile class society is dependent upon technological advancement and the ensuing dominance of large-scale production. The social prerequisite for the disappearance of the middle class, initiated by the dissolution of the Estate Order, is proceeding in our own time at a rate congruent with technological advancement. But this technological advancement is in turn conditioned by the system of ownership and direction of production. This property aspect is, to Marx, the determining factor in viewing the approaching division of society into two antagonistic opposites.

In his approach to a twofold society, Marx places in a subsidiary class role those not directly participating in the process of production, i.e. those engaged in manipulating commercial capital and commercial clerical help.¹¹ The existence of this subsidiary class depends, according to Marx, upon the activity and development of other economically productive strata of society. Here we have a revival of the physiocratic charge that certain occupations are sterile, but with a change in the occupations accused of being sterile. In Marx's exposition of the role of the industrial laborer, the onus of sterility falls upon those not directly laboring in industry or not employing industrial labor. In thus recognizing as productive only the manufacturing process, Marx

excludes any non-industrial groups from a share in determining the socio-economic process. This limitation applies to all clerical help, both in mercantile and in manufacturing enterprises. It would implicitly apply also to all professional services and to all types of salesmen. In this respect Marx's approach shows some similarity to that of Adam Smith, who was primarily interested, much as was Marx, in the furthering of the industrial order. The dissimilarity in the approaches of the two lies mainly in the emphasis on the property aspect in Marx's exposition, which Smith did not make an integral part of his analysis of the industrial era.

In the Marxian sense, the disappearance of the middle class involves primarily the disappearance of that part of the middle class made up of former artisans and small-scale manufacturers. The transformation of other strata of society not directly involved in the production of surplus value—e.g. those occupying the subsidiary class role described in the preceding paragraph—is, according to Marx, in turn dependent upon the fate of the industrial section of society. These sterile strata live, according to Marx, on the surplus value produced by the industrial section of the economy. In this sense Marx does not accord to the clerical force at large and to the merchant any independent role in the social process or any sovereign power in determining social dynamics. This interpretation is, moreover, directly in line with Marx's general view on social disintegration. Marx was aware that the process of social agglomeration calls for numerous subdivisions in the social structure.¹² But, despite this, it is a peculiar feature of Marx's approach that he conceived the multiplicity of social agglomeration eventually cut into two utterly antagonistic opposites.

With the gradual elimination of the industrial middle class and its annexes, Marx and Engels believed that the struggle of the industrial laborer against his employer

would proceed more and more intensively. But this analysis did not imply that this clear-cut, twofold antagonism would lead smoothly to the emergence of a higher level of society. An additional category had to be inserted, that of crisis. Marx states that, as the economy contracts with greater and greater intensity, the process of dividing society into two opposing classes will progress with more and more severity. Not only will the artisan farmer and the artisan craftsman be reduced to a status of economic subjugation, but the number of industrial producers left in competitive operation will steadily decrease in favor of monopolistic enterprise.

Marx first treated the monopolistic aspect of the process of socio-economic development in his criticism of Proudhon.¹³ In Marx's view, monopoly is simply competition on a larger scale, and, therefore, the contradictions implied in the competitive system are perpetuated in monopoly capitalism on a larger scale. In the light of this analysis, monopoly capitalism does not mean the elimination, but rather the intensification of the contradictory processes of industrial economy run for profit.

It could be contended that in his analysis of the periodical contractions of the economy Marx advances two views logically not interconnected. In the second volume of *Das Kapital*, Marx ascribes the periodic crises within capitalism to the disproportion in the relation of the production phase to consumptive capacity; while, in the third volume, he sees the contractions as caused by the falling of the profit rate. If the steady decline of the profit rate is a continuous process, no readjustment of the production and consumption phases could ever restore the equilibrium. This view underlies much of the criticism advanced against Marx's system of thought. From the point of view of the equilibristic marketing school, such an attack on Marx may be justified. But Marx himself never stated that an equilibrium was

ever attainable. From Marx's ideological point of view, the two conceptions of crisis irreconcilable from a marketing aspect can be related by recognizing that the periodical crisis expressed in the disproportionality in the ratio of production and consumption develops into a more and more intensive chronic crisis. An illustration of this interpretation of Marx is presented by Lewis Corey in *The Decline of American Capitalism*.¹⁴

In the period of contraction in the economy, superfluous capital appears that does not find direct utilization in industry. One of the special emphases in approach is the attention Marx devotes to the dynamics of this superfluous capital; and this is one of the important features that distinguish him from the equilibristic school, for whom crisis as a phenomenon *per se* did not exist. The first pessimistic comment on the equilibristic optimism had been voiced by Sismondi; he did not advance his analysis beyond the process of production. Marx, on the other hand, characteristically employed his interrelated analysis of production, consumption, and distribution in dealing with this problem. He was, of course, aware that without production there would be no distribution or consumption.

Marx's conception of the cost of production, which is basic to his analysis of the entire socio-economic process, is important in the context explained above. Emphasis upon the cost of production is to be found, also, in the Ricardian version of the classical economics. But, here again, Ricardo did not extend the scope of his analysis beyond the process of production. A later school of economists, led by Boehm-Bawerk, considered the interrelation of the processes of production and consumption, but did not accord equal importance to distribution. In further contrast to Marx, this last school made the consumptive, not the productive, aspect basic in its analysis, and made consumptive evalua-

tion the determinant of commodity value. This approach elevates the available stock of consumable commodities to the position of prime determinant of the scope of the economic process. The objective of the economic process is, therefore, according to this school, the consumption of those commodities that happen to be available at a given time. The theories of crisis open to this school are those of underconsumption or overproduction. To Marx neither of these theories is acceptable. Marx's theory implies that, within the individualistic capitalistic system of distribution of wealth, the gap between production and consumption can never be closed.

It is in this context that the surplus value concept enters as an integral part of Marx's analysis of the totality of the socio-economic process. The contradictions within the economy expressed in periodical and chronic contractions, he maintains, lead to a point where realization of further surplus value is made impossible. This condition precipitates the socio-economic cataclysm. The neo-revisionist interpretation of Marx, most prominently represented by Rosa Luxemburg,¹⁵ holds that this condition would be reached only after the colonial areas were fully developed to a level of an industrial economy. The Leninist interpretation, offered by Nicolai Bukharin,¹⁶ asserts that a clash between those who are anxious to play the role of colonial protectors may lead to the destruction of the capitalist economy even before the transformation of the colonies into industrial areas is accomplished. At this point, the controversy over the economic basis of the capitalist cataclysm becomes insoluble unless the political issue also is considered. The Leninist interpretation of the revolutionary strategy of Marx implies that any basic calamity in the capitalist economy could be used to overthrow the whole system. It is not an accident that the revisionist, long-term interpretations of

Marx occurred in the expansionist period of the capitalist economy prior to the first World War. With the outbreak of the first World War, Lenin sensed that the expansionist period of world economy had suffered a distinct break. Lenin's success in Russia, supplemented later by the disappearance of the Marxian revisionists from their main citadel in post-war Germany, strengthened the historical basis for Leninist conceptions within the scope of Marxian thought.*

The climax of the revolutionary act is supposed to destroy the basis of a class society and to begin to set up an order in which 'in place of a government over persons, there is established an administration of things and the direction of the process of production.'¹⁷ The basis for this change is the collectivization of the means of production, so that the relation of man to man will be based on his role in the productive process and be independent of property titles. In other words, the labor relation, instead of property relations, will become the determining factor in the social basis of production.

'The condition of the freeing of the working class is the abolition of any class,'¹⁸ said Marx. This classless society is to be born out of the contradictions between the class relations of the proletariat and of the bourgeoisie. It cannot be logically inferred that all contradictions will disappear after the elimination of these two antagonistic classes. Marx's point was, rather, that a different principle for the division of society is bound to be established. This principle would inevitably be different from that of the corporate property

* How neglected the political angle was in the revisionist conception can be seen from the introduction to the report of the German Socialization Commission set up during the early period succeeding the end of the first World War. In the drafting of this report Karl Kautsky was most instrumental in advancing the view that no socialization is possible in times of 'economic chaos.'

relation of the Estate Order and the individualistic property status of the liberalistic order. It would also necessarily differ from the communal property order of the primitive society. Max Eastman's attack¹⁹ on the inequality of income levels in the Soviet Union does not express a Marxian point of view. Marx himself attacked the ahistorical treatment of the equality principle by Proudhon.²⁰ He was anxious to state that social equality acquires different meanings in different social orders. The legal basis for the establishment of the communal property order in a static pre-industrial economy may be the same as in an industrial society; but the maintenance of a communal order in the age of advancing technology presents a far more complex task than under primitive static conditions. In principle, the division of labor, which in the liberalistic order is only a basis for the role of the individual in the process of production, is, according to Marx, to become the paramount basis for the position of the individual in society as a whole.

The main difference between the Class-Struggle ideology and the ideologies of Harmony in the Estate and Balance in Marketing is that the latter two present a defense of established socio-political systems while Marx and Engels formulated a challenge to the established social order. It is true that the ideologies of Harmony in the Estate and Balance in Marketing conceived of some measure of social change within their particular ideological setting. But contrary to the Class-Struggle ideology, they did not demonstrate the possibility of turning the ideological structure as well. Marx and Engels on the other hand made the ideology itself subject to the dialectical process of history. They thus revealed the ideological direction of social change.

PART TWO

TYPES OF AMERICAN LABOR RELATIONS

INTRODUCTION

IDEOLOGY AND SOCIAL TYPE

THE AMERICAN INTERPRETATION of trade unionism has attempted to evade ideological problems by steering a path between the guildism of Brentano and the empiricism of the Webbs.* This approach is prominently represented by John R. Commons, who tries to find a single evolutionary line leading from the Knights of Labor to bargaining unionism. His thinking implies a straight course of development that, although interrupted at intervals, moves steadily upward in a single pattern. This is an application of the so-called 'milieu' theory, which postulates adjustment to the environment as the prime mover in social dynamics. The shortcomings of this approach lie in the neglect of the factors that determine changes in environment. The environment is postulated by the milieu theorists as a factor in principle not subject to analysis, the adjustment alone being covered by their analytical procedure. The one-sidedness of this approach makes it extremely difficult to arrive at qualitative distinctions, which in their very postulation assume changes in direction. It may be granted that the procedure advanced by Commons can produce valuable results within the scope of a particular ideological setting. But as soon as the boundaries of one ideology and its corresponding type of labor relations are overstepped, the

* The Webbs' trade unionism is basically pragmatic, emphasizing the means without questioning the ends of the Marketing Order. But Brentano assumed that the ends of the Ecclesiastical Order—as exemplified by the medieval guilds—are identical with those of marketing unionism.

'milieu adjustment' approach loses its grip upon the empirical material.

To be more specific, this approach precludes the analysis of differences in kind. This methodological weakness is demonstrated in John Commons's attempt to interpret the developments from the Knights of Labor to bargaining unionism as though they were within one pattern of labor relations. He has to attempt this because his method does not provide a means of dealing with patterns of labor relations that are different in kind. The result of this analysis, in its bearing on social life, is that it either falls into the difficulties of Brentano's reconstruction of guild socialism, or it promotes a pragmatic view of labor associations conceived as labor management. The latter view has been more pronounced in America. It has had its favorable effects on the development of protective labor legislation and bargaining techniques. To view labor problems in this way, as a sub-category of management, may suffice in the day-to-day bickering of American unionism. It is insufficient, however, for the purpose of gaining the long-range perspective necessary in times when minor adjustments become inadequate to meet major dislocations. The gap created in this latter type of situation can be closed only by an ideological postulation.

To correlate ideological generalizations with empirical situations, the 'social type' will be used. By this term is meant a recurring socio-economic situation, all specific instances of which have a common ideological genesis and operating relationship. Social types, although linked to their respective ideological sources, have a life of their own. This life is conditioned by their historical setting.* The

* The author does not accept Max Weber's category of 'ideal type,' which tries to conceal the bearing of ideologies on empirical patterns. See also Paul K. Crosser, 'Ideologies and the American School,' *Social Forces*, Vol. 19, No. 2 (December 1940), pp. 195-200.

analysis in this second part of the present study will deal with three social types represented by three types of American unionism in different stages of American history. These are, first, Paternalistic Unionism, second, Liberalistic Unionism, and third, Revolutionary Unionism. Each type of American unionism will be presented as a derivative of one of the three ideologies dealt with in the first part of the present volume. The roots of Paternalistic Unionism are nourished by the ideology of Harmony in the Estate; Liberalistic Unionism has its source in the ideology of Balance in Marketing; and Revolutionary Unionism is traceable to the Class-Struggle ideology. The relationship will be seen by referring to the chart preceding Chapter I.

Unionism expressed in self-organization of workers is a basic, but not the only, sphere in which an ideology applies to labor relations. The employer, too, has views on labor relations, views that are not always congruent with the approach of the representatives of bona fide trade unions. But these differing opinions all stem from the three ideological roots of which we have spoken. The fact that these roots are the same makes it possible to include the employer's approach in a systematic analysis. The ideological source of the employer's approach to labor relations is in some instances to be found in the ecclesiastical, in others, in the marketing ideology. In the Class-Struggle ideology, on the other hand, the type of labor relations is linked to the social forces advocating a radical social change. The interrelation of these forces and their programs with class-conscious unionism cannot be neglected if the socio-political impact of labor relations is to be fully appreciated.

It will be clear from the treatment of the empirical material in the second part of this study that any social type developing in a period subsequent to that in which the ideology originated will differ from the social types that

were concurrent with the pristine development of the ideology. Such a transformation of the social type might create, and definitely has created, the impression among many social scientists that the ideology has lost its grip on the life of the social type. This impression may prevail so long as circumstances maintain an even tenor and do not thrust forward sharp issues that force cleavages along ideological lines. It is precisely when—as now—the tempo of conflict between capital and labor has quickened and the fundamental issues have become starker in the Western World, including the United States, that it is important to view the flow of contemporary events in relation to the ideological issues involved.

I. PATERNALISTIC UNIONISM

10

THE FRATERNAL JOURNEYMAN

THE REVOLUTIONARY WAR, in which the American colonial merchant fought his British competitor, won America's political independence. The Civil War, in its international aspect fought between the American and British industrial interests, won America's industrial economic independence. The intensive industrial development of the Union that followed the Civil War brought about fundamental social changes. The process of social transformation was, as is any basic social change, a painful one, and did not proceed without friction. The elements that had constituted the artisan section of pre-Civil War society sought to preserve the ideology of an artisan society, in which they had been brought up. Fraternal organizations of journeymen were called into being, which cultivated the spirit of master artisanship and made the journeyman believe that his former social position could be restored.

Two organizations, the Knights of St. Crispin and the Knights of Labor, are representative of this movement. The differences between these two fraternal bodies were merely organizational; while the first included among its members only those coming from one integral occupational group, the shoemakers, the second embraced a variety of occupa-

tions. The social objectives of the two organizations were identical. The founders of both had been inspired by Christian doctrines, as stated by the ecclesiastical promoters of free artisanship. The name of St. Crispin, chosen by the shoemakers' fraternity, suggests that this saint was regarded as the patron of the shoemakers' trade. The patronage of an artisan society by a saint was a custom initiated at the earliest stage of free artisanship. As a matter of fact, early records of the guilds show that in their embryonic stage they were no more than assemblies of parishioners of the same trade for purposes of fraternal assistance in their everyday needs and for common execution of the rituals of their faith. Use of the name of knights symbolized an old claim of the third estate against the nobility.* It implied a lifting of the town artisan to the level of the upper stratum of feudal society. The founders of the Knights of Labor and of the Knights of St. Crispin recognized the supreme power of divinity. Their complaint was directed against the misapplication of ecclesiastical authority by contemporary churchmen. The religious ideal in the mind of T. V. Powderly, the moving spirit of the Knights of Labor, was the religious standard of the artisan master, who regarded 'moral worth, not wealth, [as] the true standard of individual and national greatness.'¹ The Puritan religious belief in the blessings of God as embodied in worldly riches was challenged by this view; and the Biblical precept, endorsed by medieval ecclesiasticism, that 'It is easier for a camel to go through the eye of a needle than for a rich man to gain entrance to the Kingdom of Heaven' was particularly stressed.² This concept implies an economy of self-sustaining individual economic bodies. As revived in the nineteenth century, it envisaged a social structure that had long

* The Masonic lodges are likewise based on this idea.

been declining under the industrial order. Powderly, the leader of the Knights of Labor, was aware that his task was a formidable one. But he was hopeful. To him the world was changing: 'It is growing better, for men are searching for the truth.'³ The path of the search for truth was paved by the activities of the holy and noble order of the Knights of Labor, whose ceremonies served to 'glorify God.'⁴

In trying to relieve the precarious condition of the journeyman in the factory system, the Knights of St. Crispin centered their attention on the promulgation of the just price for labor, demanding 'fair compensation for our toil, and a position in society to which as wealth producers and loyal citizens we are justly entitled.'⁵ There was no ecclesiastical authority to which the shoemakers could appeal in their attempt to establish the fair price for their work. Nor could the old standards of remuneration for work, prevalent in late medieval individual artisan shops, be applied. Despite their artisan outlook on labor relations, however, the Knights of St. Crispin were forced into the types of labor conflicts characteristic of industrial society.

As a substitute for unwelcome strikes, the Knights of Labor resorted to the boycott. This boycotting policy was laid down most explicitly at the convention of 1884. The emphasis on the boycott instead of the strike is understandable, since the main aim of the Knights of Labor, in their practical activities, was to secure steady employment. Sensing keenly the first effects of technological displacement, they thought it disastrous to interrupt employment by strikes in view of the growing threat of machinery to hand labor. The severe panics of the era of intensive industrial expansion in America aggravated dislocations that had technological origins. To strike and thus voluntarily to increase the idleness of the workers was not the way to protest against these conditions or to protect labor from the

hardships of unemployment. The boycott, therefore, not only seemed more effective than the strike, but it also conformed to the desire to preserve the dignity of the master-journeyman. In addition, the general social outlook of the Knights of Labor did not recognize social conflict as a reputable institutional weapon. The American master-artisan of the late nineteenth century still thought of himself as a member of the harmonious community of master artisans of Thomas Aquinas's time. He took over, as a goal that he himself could attain within a not-too-distant future, medieval society's assumption that any journeyman has the chance to establish himself as a master. The Knights of Labor were less concerned with the effectiveness of the boycott as a weapon than with its relevance to the social ideals of the master-artisan society.

The distinction between boycott and strike goes back to the difference between workmanship contract and work contract. Workmanship contract is drawn up between the producer and the consumer with the intention of delivering to the latter the finished product. Originating in the artisan society the workmanship contract assumed the identity of interest of master, journeyman, and apprentice. Economic antagonism was then limited to the conflict between producer and consumer. The appeal for redress had to be voiced by the socially undivided body of the producers against the buyer of the workmanship product. The boycott is characteristic of this conception of marketing conflict.

The undivided interest of the parties to the process of production in the terms of the sale of the finished product lost its economic basis when the artisan shop had been superseded by the factory. With this stage of development the process of accumulation of wealth entered the production process itself. With the rise of the manufacturer, the traditional price limit set for the products of labor was re-

moved. The manufacturer, as the owner of the means of production, gained the privilege of accumulating wealth through the sale of the products of labor produced in his enterprise. The introduction of industrial accumulation of wealth signified in turn the end of the stage of workmanship contract. The terms of the disposition of the finished product were left entirely to the owner of the means of production. The laborer had a say only in the sale of his labor power. From being a party to the workmanship contract, he became a party to the labor contract. With this change, the social conflict entered the production unit. The strike is based on the recognition of the economic antagonism lying at the bottom of the labor contract. In pursuing their boycott policy, the Knights of Labor persisted in thinking in terms of the vanished workmanship contract.

In keeping with the ideology of Harmony in the Estate, co-operation played a prominent part in the ideologies of the early American labor movement. The social objective of the order of St. Crispin was self-employment, envisaging the establishment of the journeyman as an independent master. The same social objective was professed by the Knights of Labor, who made their aim clear in the following words from an address by one of their foremost spokesmen: 'Organization once perfected, what must we do? I answer, study the best means of putting your organization to some practical use by embarking on a system of cooperation which will eventually make every man his own master, every man his own employer.'⁶ The Knights of St. Crispin concurred with the Knights of Labor not only in the statement of their objective, but in the choice of the means for the attainment of that objective as well. The St. Crispins thought that 'cooperation in trade and manufacture is necessary for the establishment of right industrial conditions,' while 'labor unions are only a means to resist the encroach-

ment of capital.’⁷ The emphasis here is on the defensive re-establishment of status rights, rather than on a militant advancement of labor’s right to define its own position. The St. Crispins advocated co-operation as a remedy for unemployment and underpay, and they regarded producer co-operatives as a means for eradicating social conflict. Paralleling the statements of program by the St. Crispins, the Knights of Labor set forth a similar aim in the preamble to their constitution: ‘To establish cooperative institutions, such as will tend to supersede the wage system.’⁸

Co-operation was sought as a means of re-establishing the economic equality of the medieval Thomistic artisan society. To the extent that the machine prevented the establishment of individual artisan shops, the co-operative ownership of the means of production was regarded as a temporary substitute. The competitive profit system was to be challenged by model economic units. This sort of wishful thinking was an expression of a popular line of theorizing initiated by Fourier and Owen in the early industrial age. It resulted in the type of conservative reformism that desires to remedy contemporary evils by a return to conditions of the past. The Knights of Labor, in particular, advocated ‘the abolition of bond holding and the taking of usury, as well as the abolition of stock gambling, whether it be bank or railroad stock.’⁹ These institutions, which seemed objectionable to the Knights, are, however, characteristic of the speculative Marketing Social Order, which was engendering modern industrial society; and the cure seen by the Knights of Labor was a return to the pre-Marketing Order. The remedy was made explicit by Powderly, who advocated a representation of vocational bodies along the lines of the guild-estate.*

* This concept plays a prominent part in Italian Fascism.

The cleavage that developed between the members of the few producer co-operatives launched by the Knights of St. Crispin and those who remained journeymen is expressed in the following critical note voiced by John Dormer, vice-president of the order: 'I cannot see any difference between a co-operative shop and a joint-stock company. . . . I don't want our order governed by capitalists claiming to be workmen.'¹⁰ Behind this friction between the journeymen and the co-operators loomed the inescapable pressure towards the transformation of the former workingman in the producer co-operative to the status of a co-owner of an economic unit that inevitably became imbued with the speculative spirit and linked to the insecurity of the Marketing Order. This situation demonstrates the historical impossibility of setting up a substitute artisan section of society in the midst of a rising industrial economy. Such a drive against the pecuniary Marketing Order was bound to be futile, because it sought to eliminate social conflict by turning over a fraction of the means of pecuniary gain to one section of journeymen, while leaving the position of the major section of them untouched.

In the eyes of the leaders of the Knights of St. Crispin and Knights of Labor, the division of society into owners and non-owners of the means of production was not an essential implication in the system of the Marketing Order. This division was considered, rather, as only incidental, and how satisfactorily it operated depended, supposedly, merely upon the bad or good will of the participants in the economic process. The leaders of the Knights of Labor thought of social change only as a psychological problem. They showed no understanding of historically determined institutional factors.

The Knights of Labor was made the dupe for other social movements, wholly alien to its own philosophy. This waver-

ing focus is ample proof of the weakness of its logico-historical foundation. The official representatives of the order did everything in their power to attack the revolutionary doctrinaires within the membership. The conservative alternative that had been offered to the loyal members was not effective enough, however, to withstand the trends of revolution sheltered under the ægis of the noble ceremonies. We can trust the records that prove that the official representatives of the order did not instigate the Homestead bombing. The logico-historical misdirection of thought instituted by the founders of the Knights contributed, however, to this violent outbreak, in which the last remnants of the order burned themselves to death.

The fraternal journeyman, who dreamed of himself as a potential master in his own right, did not fully disappear from the American scene after the extinction of the Knights of Labor. Elements of journeyman-master paternalism may still be found lurking in various labor associations and fraternal institutions that superseded the Knights. These include mutual benefit features in cases of sickness and death, and such tendencies as the attempts to revive workers' guilds under neo-ecclesiastical Catholic guidance. Yet such vestigial remains of the spirit of the Knights cannot be counted among the relevant features of the contemporary American labor scene. Attempts to revive the order of the master artisan could succeed only if accompanied by the full restoration of the traditional artisan method of production. It may be noted in conclusion that the dream of the return to the old glory of master artisanship also lives on implicitly in all machine-haters; their hatred is nourished by those social forces that impede the realization of the social benefits of technological innovations.

Ideologically, the Knights of Labor and the Knights of St. Crispin are to be linked to a wide movement of Christian

rebellion that accompanied the ecclesiastical authority all through the ages. Scores of heretics challenged the authority of the established church and called attention to existing social evils. The sufferings and privations that accompanied the rise of industrial society made new converts to the spirit of Christian rebellion. St. Simon, Carlyle, Emerson, and Ruskin are the outstanding Christian rebels of the nineteenth century. They pleaded for the revival of the patriarchal apostolic fraternity. Such a plea could hardly become effective in a social order in which the relation of man to man was that of buyer to seller. The Knights of Labor and St. Crispin walked on this unrealistic apostolic ground, which was bound to collapse.

THE BENEVOLENT MASTER

THE FRATERNAL JOURNEYMAN, thinking of himself as a future master, was succeeded in America by the industrial entrepreneur, who viewed himself as a master among journeymen. The paternalistic attitude of the benevolent master became paradoxically most potent in some of the enterprises that were most advanced technologically. It was natural that technological advancement should be more extensive in new industries. Industries producing durable consumers' goods took a more and more important place with the rise of the general standard of living. The automobile industry was in the van, with Henry Ford, a self-made artisan master, leading the field. The economic gains derived from the early introduction of automatic machinery were explained by the paternalistic entrepreneur on merely technological grounds.

The roots of Fordism may be found in Taylorism. From the technological point of view, Taylorism and Fordism are congruent. Taylor's system was founded on the idea that 'the most prominent single element in modern scientific management is the task idea.'¹ His work was accordingly built around the time study, the close-clocking minute, specific work-sequences. The work process in the Ford plants is an application of the principles of Fordism, as may be seen from the following description: 'Each Ford automobile consists of more than 5000 parts, all standardized,

so that each part fits into each automobile in its specific place. Although there are, of course, many similar operations, and innumerable machines are working jointly in the process of fabrication, leaving little opportunity for hand operations, there result nevertheless about 8000 different tasks. Only one specific task is set for each worker.'² Ford calculates that two million trained workers, specialists of all kinds, would be necessary if his factory were run on artisan handicraft methods.

Whereas Taylor limited his interest to the technological efficiency of the work process, Ford coupled this with the economic gains of the individual worker. Realizing that 'rates of wages were not sufficient for a man properly to care for self and his dependents,'³ he introduced a premium plan that was supposed to arouse the worker to increased effort and thus secure him a higher wage. Ford compelled the worker to be his own timekeeper, by linking the pace of industrial production to the economic self-interest of the worker. True to the spirit of the benevolent master, he denies that the company had any pecuniary interest in establishing the premium plan: 'You ask our purpose in establishing this plan. Our first purpose was substantial justice to our co-workers . . .'³ 'The object was simply to better the financial and moral status of the men.'⁴ The just price of labor was made to appear simply as adequate pay for efficient work, which was supposedly dependent upon the attitude of the worker towards his work and not upon the whim or financial power of the master. Gottl-Ottlienfeld draws the following comprehensive picture:

Not only does the Ford plan dissipate the sharp pecuniary opposition between worker and entrepreneur, but it also changes the character of the wage as a cost ratio. In addition, it dissolves the opposition between consumers and producers, because

the cheaper the first can purchase the commodity, the richer is the gain which flows to the second. The whole triangle of opposed interests in the sphere of entrepreneurial production is therefore justified and all by technological ingenuity. Nothing remains un-assembled in the enterprise; nothing is left to trading. In this instance the synthesis of the economy and of the technology, as expressed in technical reason, has been achieved.⁵

This exposition identifies managerial efficiency with social progress.* It disregards the instability of the economic position of any enterprise in the Marketing Order. The factors affecting the profit rate are disregarded. The specific character of profits derived from an early introduction of technological innovation is not recognized. The gradual diffusion of innovations, depriving the enterprise that is technologically advanced of its exceptionally favorable marketing position is not considered.

Furthermore, the exposition of technological rationalization and social harmony presented by Gottl-Ottlienfeld entirely neglects the means by which the standards of labor efficiency are set. Ford himself has insisted that decision in such matters is up to the company, saying, 'No man wants to be burdened with the care and responsibility of deciding things.'⁶

The exclusion of the worker from participation in decisions concerning conditions of work and efficiency standards brought about a situation in which 'the speed up, combined with nervous tension, results in a higher accident rate.'⁷

The paternalistic trend in determining the rules for the work process was justified socially and economically in an era when the techniques of the work process remained unchanged. In that event experience provided a tested basis

* This identification is also made by James Burnham (in his recent book, *The Managerial Revolution*), and by the technocrats (compare Chapter 14).

for technical work rules. The role of the master was confined to the familiarization of the future master with the traditional rules. But the situation is quite different in an age of steadily changing technology, when the effects of innovations are mediated by management rather than set and controlled by custom.

Master benevolence is used to induce greater intensity of work. The tempo of work is measured by a technological yardstick and the same yardstick is claimed to be the basis for determining wages. But wages in the Marketing Order are not a direct correlative of expanded human energy. Wage fluctuations reflect to a great extent changes in the flow of marketing values. Payment for work in the Marketing Order depends on the marketing position of the enterprise; the technological equipment is only a conditioning factor for this position. Market dislocations present the testing ground for the efficacy of benevolent wage plans. The Ford plan of efficiency wages broke down during the great depression of 1929. Ford's hourly wage rate is still high, but the annual wage of the Ford worker ranges among the lowest in the country. The technological progress instituted by Ford's production methods has led socially to an increase of the 'reserve army' of the unemployed.

The discrepancy between the social aims with which Ford set out and the results that he has achieved for his workers should not be ascribed to bad will or insincerity. The discrepancy is due to the limitations inherent in the social view that assumes that planning within the production unit will automatically bring about a planning of the entire economy. Managerial talent was utilized without consideration of the interrelated social factors. Rationalization of the process of production was identified with rationalization of the economic process as a whole. While such an illusion could be maintained in a period of expansion, its

failure became apparent in a time of depression. The medieval artisan society, which was entrenched in a relatively stable economic order, provided a basis on which managerial co-operation was congruent with social co-operation of all active members of the artisan shops. This congruity was lost when the link between one enterprise and another became the speculative market. Fordism is an expression of technical rationalism that fails to consider its effects on society as a whole. Under such circumstances, the master's benevolence, as expressed in technological rationalization, turns against the community of laborers, although it may temporarily benefit a few of its members here or there.

Ideologically, the benevolent master-industrialists, represented by Ford, are at the crossroads. They have discarded the conception, accepted in the mercantilistic era, of charitable reward for labor. The course of technological advancement has taught the industrial employer that the laborer's wage can no longer be regarded as a substitute for poor relief since industrial productivity has demonstrated that increasing the laborer's share in the sales value of the product does not necessitate reducing the employer's gains. The contention of the physiocratic school, that the total income is static, and that a redivision of shares in it can be made only at the expense of one of the contending social groups, was dropped by the very father of industrial Political Economy, Adam Smith. But although they have appreciated the technological changes wrought by the substitution of machinery for handicrafts, the benevolent industrialists have limited the scope of their interpretation to managerial factors. They have refused to admit that this new type of production unit became, at the same time, a marketing enterprise differing economically from the older type, which had barred sales for profit.

That Henry Ford, the owner of a vast enterprise employ-

ing a huge army of workers, still regards himself as a master artisan has been revealed on numerous occasions. At the hearings of a Congressional committee, he pointed proudly to his background as farmer and mechanic.⁸ The collection of archaic buildings and artifacts assembled as a whole village at Dearborn is not merely one of Ford's chief hobbies; it is a symbol to him of the artisan traditions of America. And it is with these traditions that Ford wants to be identified. His repeated statements that he is opposed to the profit motive, and that he does not run his own enterprise for profit, may be taken as expressions of his profound dislike for the speculative aspect of finance capitalism.* He prefers to think in terms of the static economy of the society of freehold farmers and master artisans, in which economic relations were governed by custom, and any economic gain not sanctioned by tradition was considered an attack on the foundations of the community. The anti-usury spirit—which was born out of the system of production for the direct consumer—lends to Ford's way of economic thinking its peculiar pattern. The fact that he succeeded in placing his enterprise on a self-financing basis, not dependent upon bank credit, may seem to him to be empirical proof of the validity of his anti-speculative views. And yet, though Ford has maintained the artisan's devotion to pay-as-you-go self-financing, he has failed to recognize that the essentially speculative marketing burden of his enterprise remains, and has simply been shifted onto his workers, his dealers, and the vast army of consumers who buy his automobiles on the installment plan. An industry in the midst of a highly speculative economy utilizes all the wiles of that economy to shift economic risks onto the dealers who mar-

* The writer makes a distinction between the terms, finance capitalism and security capitalism. While security capitalism refers only to the functional mechanisms of dealings in securities, finance capitalism includes the impact of those functional changes on class relationships.

ket its product and the consumers who mortgage their future labor power to buy that product. The industrial entrepreneur, no matter how much he may protest his artisan spirit, cannot alter the fact that a basic denial of that spirit is involved.*

The industrialist trained in the artisan school of thought acknowledged only the technological transformation of the artisan shop and not the accompanying social transformation. In social consequence of his views, the benevolent master, Ford, would have to allow each worker in his enterprise to own his own tools and to trade those parts of the finished product that could be allocated to his individual efforts. Then at least a semblance of the society of master artisans would be maintained. In turn, the benevolent master could claim to be the corporate representative of all his fellow masters who are working in his industrial domain. Going a step further towards reproducing the artisan society, the benevolent master would have to dispense with the services of his dealers and leave the trading of the automobiles to direct orders of the consumers. This may all sound very unrealistic, but it is nevertheless a useful example of coherent thinking in a given ideological matrix. The artisan order of society was a highly organized institutional complex, and defies attempts at mere fragmentary restoration.

* The organizational strength of the United Automobile Workers of America (affiliated with the Congress of Industrial Organizations), demonstrated at a recent union election in the Ford plants, has driven a considerable wedge into the paternalistic structure of labor relations.

12

ECONOMIC SOLIDARITY

HENRY FORD owns a private business. Community of interest for him concerns primarily himself and his employees. But this form of ownership has been increasingly displaced in American industry by another type, corporate ownership. Under the latter, ownership is diffused, management does not necessarily own the majority or even any appreciable amount of the business, and community of interest in the industrial process is widened beyond master and servant to include such new elements as stockholders, directors, and other elements of the world of finance capital. Not the process of production itself, not even production and distribution in their mutual relationship, but the process of capitalization, is the main concern of the holder of securities. The industrial entrepreneur and the industrial laborer are supposed to serve the stockholder. John D. Rockefeller, Jr., represents this type of corporate capitalism. He stated the wider conception of community of interest involved in corporate capitalism in his testimony before the Industrial Relations Commission in 1915: 'I believe that the corporation should be deemed to consist of its stockholders, directors, officers and employees; that the real interests of all are one . . .'¹ But the identity of interests of the stockholder and laborer, implied in Rockefeller's statement, does not involve the direct relation of capital and labor, as Rockefeller himself admitted: 'The responsibility of stockholders is practically

limited to the election of directors. They have no power to elect officers, to employ labor, to make contracts, or to intervene directly in the management of the business.’²

In the era of the rise of corporate capitalism, the handling of labor relations was left to the judgment of the individual manager, who was free to choose the most effective means for bringing about satisfactory relations between capital and labor. The growing incapacity of the individual manager to preserve peace in industry by informal, extemporized methods necessitated a revision of the general rules of labor relations. The new rules have been based on the conception of industrial partnership, proclaiming the equality of status of manager (and, behind him, of stockholder) and laborer. Economic solidarity has, in this system, been focused on the solidarity of interest in the prosperity of the enterprise as a profit-making and capital-accumulating unit. In such a setting, the manager, who is more experienced in the ways of promoting the profit-making enterprise, reserves for himself certain prerogatives that the laborer is supposed willingly to accept as in his own interest.

All of the above are necessary preliminaries to the understanding of the employee representation scheme in American industry, which was inaugurated by John D. Rockefeller, Jr., under the advice of Mackenzie King, the Canadian expert in labor relations, who is now Prime Minister of Canada.

In introducing the plan of employee representation in 1915, Rockefeller suggested the creation of ‘a board on which both employers and employed are represented, and before which, at stated intervals, questions affecting conditions of employment can be discussed and grievances examined.’³ The plan provided that the representatives of the two groups, together with an equal number of executives of the company, comprise a consultative board; but matters of

vital importance in labor relations were not to be considered even on a consultative basis by this board. The unlimited control of the management becomes particularly obvious when such a crucial item as wage reductions is on the agenda. Mary Van Kleeck, director of industrial studies for the Russell Sage Foundation, and B. Selekman state that, contrary to the assurances offered by the officials of a company using this employee representation plan that the employees had signed a petition for reduction of their wages, the men nevertheless went out on strike on the day the cut was effected.⁴ And this despite the fact that the employee representation plan does not provide any resources for dealing with strikes. After that incident, the company resorted to the following announcement: 'Those who are disloyal to our country or the company, or who engage in efforts to disturb harmonious relations within the company, will neither be retained in our service, nor allowed on our properties.'⁵ On the other hand, the boon held out by the employing enterprise was the promise that 'there shall be no discrimination by the company or by any of its employees on account of membership or non-membership in any society, fraternity or union.'⁶ The emphasis in this instance should be placed on non-membership, applying it to autonomous labor unions. The whole case is characteristic as testing the degree of social strength of an employee representation plan in the most vital sphere of trade-union relations.

The first World War and the policies of the War Labor Board gave an impetus for a wider application of the principles of employee representation. The new situation suggested also the widening of the scope of the employee representation so as to make it an instrument for dealing with governmental agencies. By promulgating the principle of collective bargaining for employers and employees alike, the War Labor Board encouraged trade unionism as much as it

did company-dominated unionism. The proclamation of the War Labor Board is in line with the principle previously accepted by John D. Rockefeller, Jr., who stated, concerning the employer-employee representation plans: 'So long as it is to promote the well-being of the employees, having always due regard for the just interests of the employer and the public, leaving every worker free to associate himself with such groups or to work independently as he may choose—I favor them most heartily.'⁷ The War Labor Board restated this view with the implied acceptance of its sociopolitical background. The experience of the war-time shop committees was utilized by the National Association of Manufacturers during the period following the close of the War. Its Committee on Adjustment went on record as follows in recommending the establishment of employer-employee representation plans: 'It is very obvious that if the employer does not himself organize the thought and action of his own men, and impress them with the mutuality of our interests, they will be undoubtedly organized for him to his own disadvantage and their injury.'⁸ This declaration is an open admission that the main objective of the employee representation plan is to forestall the growth of autonomous labor organizations.

The employee representation plan has not lost its significance since collective bargaining was recognized as a constitutionally valid practice. The scheme of independent company unionism was most explicitly proclaimed by Tom Girdler, president of Republic Steel Corporation: 'The industry stands squarely in favor of the right and the practice of collective bargaining with its employees. The point in controversy has to do with the *form* of bargaining which is to be adopted. The steel industry believes that the employee representation plan represents the best form of collective bargaining, for employees as well as employers, which has

thus far been devised.’⁹ With this assertion the statement of E. C. Davidson, a labor leader, should be contrasted: ‘There can be no type of collective bargaining in company unions as it is impossible for any agency to bargain with themselves.’¹⁰

This controversy involves a basic disagreement about the role of the wage contract. The worker, in defending his bargaining position, is mainly interested in the economic effect of the wage bargain. The employer emphasizes the importance of the working conditions. For him, the interest in the wage level is subordinate to the physical conditions under which the laborer works. A similar view was expressed by the Knights of Labor, who placed all the emphasis on hours, and neglected the wage problem. The removal of the wage bargain from the focus of interest aims at the elimination of the marketing angle from the wage contract. It is a first step towards the interpretation of collective bargaining as an act insuring the social standing of the corporate body of workers. The paternalistic employer is ready to grant the worker this standing under condition that the interests of both parties to the wage contract be identified. Such a view throws the worker back to the times when guild restrictions kept the journeymen from forming organizations of their own. It tries to make the worker forget that he has acquired organizational freedom only after centuries of struggles with the big masters of the guilds.

Employee representation is only a partial approach to the problem of attaining economic solidarity in the eyes of the corporate capitalist. The elimination of the antagonism between employer and employee is further encouraged by the development of plans aimed at making the employee himself a stockholder. Andrew Carnegie became the exponent of this type of economic solidarity in his later years. In his presidential address at the London Iron and Steel Institute

in London in 1903, Carnegie proclaimed: 'Every worker a shareholder would end most of the conflicts which sadden us between capital and labor.'¹¹ And at the hearing in 1915 of the United States Commission on Industrial Relations, he referred to profit sharing as the 'greatest of all steps forward yet taken for making workmen and capitalists fellow workmen indeed. Far beyond the pecuniary advantage I esteem the fellow partnership.'¹²

The profit-sharing plan offered by the United States Steel Corporation provided that every man might subscribe for as much stock as he chose, though never to exceed in aggregate the sum represented by a certain percentage of his annual salary. The risks to the worker involved in such a venture were stated by Carnegie himself, who warned his workers that 'the path of iron and steel is strewn with financial loss in all countries,' and that 'all forms of business must encounter grave risks.'¹³ Nevertheless Carnegie praised the profit-sharing plan as 'drawing capital and labor into the peaceful bonds of mutual obligation.'¹⁴ As he astutely recognized, 'Recognition, not only in money but in position, often counts quite as much as coin and not seldom much more with the ablest.'¹⁵ The same thought was expressed by the promulgators of the Knights of Labor. But the Knights, it must be remembered, visualized a social order in which every worker would become an owner in a co-operative enterprise. The industrialist, Carnegie, on the other hand, was acutely mindful of the desirability of keeping management prerogatives unimpaired by any changes in the growing system of absentee financing. The worker, by joining the ranks of the absentee financiers, is drawn into the whole complexity of a market economy. It leaves his position as a member of the less privileged group unaltered, and yet burdens him with the disadvantages attached to the economic position of the more privileged. The ideological background of the

profit-sharing plan is provided by ecclesiastical precepts postulating that hard work, supplemented by abstinence and friendly debts, can prevent destitution and economic distress. In the relatively stable Artisan Order of society these precepts could be regarded as mainstays of the social order. They fitted into the pre-Marketing Order, in which hoarding was the main source of capital accumulation. In the Marketing Order, however, capital has been accumulated largely by means of speculation. And in the highly complex marketing economy, dominated by giant concerns, the diligent, sober, and prudent worker is in no position to protect himself against the torrents of economic dislocation. The hoarding industrial worker, who tries to follow the artisan method of accumulating capital, is bound to be expropriated by the processes of capital accumulation characteristic of a marketing society.

In cultivating the artisan spirit among his workers, the paternalistic industrialist is fostering a cultural lag. The background for this neo-paternalistic trend is provided by the gradual elimination of the individualistic competitive market. The integration of monopolistic control is interpreted by economists and industrialists as a factor eliminating market antagonisms. The worker is led into this scheme by assurances that the transformed market economy has eliminated the necessity of a competitive labor market. Marx warned long ago that the superseding of the individualistic market by monopolistic controls signifies merely an intensification of the contradictions of the marketing economy. The anti-Marxian National Socialist movement of Germany, which has been particularly emphatic in denying this point, was inaugurated under the ægis of the main precept of the Artisan Order—common interest above individual interest. At the time of its origination this precept expressed the corporate interests of the body of artisans over those of the

individual artisan. In contemporary application, the borrowed precept expresses the dominance of corporate interests of monopolistic industry over any diverging marketing interests, be it a market of commodities or a market of labor. An integrated stage of monopolistic marketing control is bound to dispose of all the fictitious revivals of artisan society and its supporting ideology of Harmony in the Estate. American company unionism, if it ever becomes nationally co-ordinated, will be a major step towards the consolidation of corporate industrial control and the establishment of fascism in America.

II. LIBERALISTIC UNIONISM

13

THE BARGAINING INDUSTRIALIST

THE UNITED STATES is often said not to have experienced the stage of feudalism, and it is argued from this premise that the future course of American social evolution will differ from that of those nations in which vestigial feudal institutions still survive. This conclusion is, however, not corroborated by the actual situation in the United States. The difference between the feudalistic heritage of America and that of Europe is essentially one of degree, although of considerable degree. In America, the Revolutionary War destroyed the monarchical superstructure of society and the system of castes attached to it, while both of these have been preserved in Western Europe, where they remain, to a great extent, still intact. The feudal institution of slavery, on the other hand, which was not destroyed in America by the Revolutionary War, was limited, both racially and geographically, to a particular segment of the population. Yet, the mere existence of slavery within the national boundaries cast a shadow upon the entire complex of social relations, and especially upon the relations between the employer and the hired laborer.

By the Fourteenth Amendment to the Constitution, any attempt at regression to the condition of the feudal state by

way of re-enslavement was prevented. The minority opinion of the Supreme Court decision in the Slaughter House Cases of 1872 was an early step towards the acceptance of the principle that 'Labor is property . . . and the right to make it available is next in importance to the right of life and liberty.'¹

The rising industrial era has been pointedly characterized in the following sarcastic exclamation by a group of social-democrats: 'The Civil War is over; chattel slavery abolished; the slave barons lost the game; twelve hundred million dollars' worth of their property is gone; labor is "free," free to make free contracts, with capitalism free to sell its commodity of labor power to the highest bidder in the competitive market. What a happy future for a nation!'² This state of mind was widespread after the Civil War, when the industrialists took over the reign of the economic and social structure of the country.

In the first decades after the close of the Civil War, the liberation of the workers from the bonds of their pre-industrial social heritage was advanced by the employer himself more than by workers' organizations, which, as indicated in Chapter 10 above, tried to deny their new status by reverting to the use of symbols that had outlived the era to which they had originally been attached. The American industrialists are descendants of the revolting colonial merchant, early freed from the bonds of royal privilege. In the economic activities of these industrialists, the pragmatic conception of utility advanced by Bentham found its most consistent application. The rebuilding of American society in accordance with the economic aims of the American manufacturer proceeded without significant interruptions in the first decade after the Civil War. This picture changed, however, when the honeymoon of the expansionist period of the American industrial civilization was over and the increase

in the growing productive capacity of American industry began to reach the absorptive capacity of the available market. The social adjustment of the labor forces that the industrialists had brought out of the pre-industrial order began to present a serious problem in itself. With an eye to labor, the manufacturers assembled their forces in a national association, a logical step in the direction of concentration of economic power. It is significant that the establishment of the National Association of Manufacturers coincided with the passage of the Sherman Anti-Trust Law.

Accepting the organization of manufacturers as a matter of course, the industrialists looked with great disfavor upon the organization of labor. The National Association of Manufacturers assailed the practices of labor organizations as being those 'of huns and vandals.'³ The president of the National Association of Manufacturers declared, in 1903, amid acclamation from the membership, that organized labor 'is, in all essential features, a mob power, knowing no master except its own will. Its history is stained with blood and ruin.'⁴ Such an evaluation of the role of organized labor by the employers is a vivid characterization of the intensity that the social conflict in American industry had already reached.

The struggle for the maintenance of the social privileges of the associated employers focused upon an amendment to the Sherman Act aimed at protecting the rights of organized labor. Victor Berger, a Congressional representative of the Socialist Party, opposed 'as a matter of principle'⁵ the linking of labor to any anti-trust legislation. He voiced a consistent Marxian view, which regards agglomeration of industry as a necessary part of technological progress, and asserted, with Marx, that monopolistic industry sharpens social contradictions out of which the Socialistic Order is to be born. Berger fought for the nullification of all anti-trust

legislation irrespective of its direct tie-up with labor provisions. Neo-Marxian socialists opposed Berger, insisting on the alleviation of the social evils of the marketing society by social reforms.

Despite differences in ideological interpretation, however, both the Marxian and Neo-Marxian groups of socialists agreed that the point at issue was a political one. On this issue, they conflicted with the view of the National Association of Manufacturers, voiced by James Emory, who restricted the argument to the economic sphere. Emory opposed any exemption of labor from the provisions of the Anti-Trust Law, and thought it necessary to 'continue to restrain or punish combinations of workmen . . . engaged in interstate commerce.'⁶ He would not concede that the Sherman Anti-Trust Law had been passed to alleviate the social evils arising from the defects of free marketing. He refused, therefore, to admit that it was inconsistent with the spirit of the Sherman Act to punish the laborers who were the main sufferers from these defects. Emory's argument is being advanced today by those who wish to prosecute labor unions under the ægis of the Anti-Trust Law.

The Clayton Amendment to the Sherman Act was passed in 1914, overriding both sides of the opposition. The labor clause in it states that the 'labor of a human being is not a commodity or article of commerce.'⁷ Legally this passage meant that no interference with workers' organizational activities on the basis of the interstate-commerce clause was permitted. Socially, it signified the end of an era in which labor was at the free disposal of the entrepreneur. It opened a new period, in which labor started on the road of legal protectionism. Frankfurter and Greene have pointed out⁸ that the number of labor injunctions issued on the basis of the Clayton Act have actually far outweighed the number of court interventions in labor disputes before the Act was

passed. Nevertheless, it must be realized that the legalistic attack on labor underwent a basic transformation with the passage of the Clayton Amendment. Injunctions under the Act could be issued only if restraint of trade appeared explicitly in the activities of a union; whereas, before the passage of the Act, a mere implied threat of restraint of trade was a sufficient legal ground for an injunction. Before the passage of the Clayton Act, therefore, organizational activity by workers was, in itself, a target for judicial attacks. But the new basis for the legal protection of the labor association signified an acceptance of the *organized laborer* as a legal partner in society. In this sense, the labor provision of the Clayton Act was justly called by Samuel Gompers the Magna Carta of organized American labor. And Berman's attempt to question the validity of the application of the term Magna Carta to the Clayton Act,⁹ on the ground that it has been used as the legal excuse for numerous injunctions, is not borne out by a qualitative analysis. For the difference in principle between the legal situation of a workers' organization before and after the passage of the Clayton Act is qualitatively both real and important.

The associated employers realized that the passage of the Clayton Act created an entirely new situation, and they therefore directed their efforts towards the liberation of the laborer who was loyal to his employer. In this new phase of the struggle, the employer focused his efforts upon a drive for the open shop. The open shop may be defined as a negation of the closed shop, the principle of which 'is embodied in the rule that members of a trade union shall not work in an establishment where non-unionists are employed.'¹⁰ To counteract the closed shop and to make the open shop effective, some employers solicit from the worker an unreserved pledge to follow in all instances the employers' leads in the matter of labor relations. By giving this

'yellow dog' pledge, the worker actually renounces his constitutional rights as far as his role in industry is concerned. In its economic implication, the open shop presents an attempt to monopolize labor demand as well as labor supply in the hands of the employer. Analogously, a total monopoly of supply and demand in the field of industrial production would leave the producer free to dictate not only the kind and amount of goods produced, but the wants of the consumers as well. The closed shop, although leaving the monopoly of demand to the employer, advanced against it the monopoly of labor supply by the workers' organization.

The open-shop drive, which was meant to prevent the organization of the labor market, was based on the belief that the free market of labor, characteristic of the early industrial era, could be fully preserved. The drive was generally backed by the argument that according to the Constitution every American is free to choose his place of work. In this argument, the constitutional inalienability of property rights is disregarded. Adam Smith pointed out, long ago, that the property owner is at an initial advantage in bargaining with the property-less laborer. That this disadvantage of the laborer has been greatly increased by the agglomeration of industrial enterprises can hardly be doubted.

The structural change effected by big industry has after long years of legal and extra-legal fights been recognized in the statute books. The Norris-LaGuardia Anti-Injunction Act is the milestone on the road of development from the old conception of the free market of labor to the recognition of the fact that the corporate structure of American economy calls for a corporate mode of labor relations. The opening sentence of this statute explains the previous gap in the social basis of labor relations in the following plain language: 'Under prevailing economic conditions, developed with the aid of governmental authority for owners of property to

organize in the corporate and other forms of ownership association, the individual unorganized worker is commonly helpless to exercise actual liberty of contract and to protect his freedom of labor.'¹¹ With the legalization of the principle of equity in organizational rights for both employers and employees, the closed- and open-shop controversy lost much of its previous significance. In subsequent open-shop activities, the National Association of Manufacturers shifted the emphasis of their argument to the factors of efficiency and productivity. The open-shop drive thus became a problem of inner discipline in the factory. The ideological foundation of the open-shop principle changed. It ceased to be the expression of an alleged liberalism, and became the auxiliary of paternalism. The benevolent master tried to convince the worker that by keeping aloof from autonomous workers' organizations he could perform his work more effectively.

Another step towards adjustment of the individual to collective rights within American industry has been taken in the recent period of severe economic distress. The National Recovery Act of 1933, which provided the legislative framework for a collective effort to save the country from economic disaster, included a specific provision dealing with the collective rights of the worker. This Act spoke of labor in the following language: 'Every code of fair competition agreement and license approved or issued under this title shall contain the following conditions: that employees shall have the right to organize and bargain collectively through representatives of their own choosing.'¹² And, most important, the Act granted protection to the workers against 'interference, restraint or coercion of employers of labor or their agents or in self organization or in other concerted activities for the purpose of collective bargaining or other material aid or protection.'¹³ This was in principle the rec-

ognition of the laborer as a party to fair trade. Section 7A of the National Recovery Act, however, made the collective of laborers a commercial, contractual, bargaining party. Thus one might say that, while the Clayton and Norris-LaGuardia Acts gave the legalistic form to labor organizations, the provisions of the National Recovery Act filled this form with the specific content of a commercial contract. It may be granted that the War Labor Act of 1917 contained a provision stating the right of collective bargaining by the worker. But—and this is important—it did not contain any provision restraining the coercive practices of the employer. With this significant limitation, the War Labor Act was congruent in scope with similar declarations by supporters of company unionism.

The invalidation of the National Recovery Act left to the National Labor Board—a mediation board—the protection of the bargaining rights of labor. This Board was made fully dependent upon the good will of the parties to the controversy and had no authority to make binding decisions. Meanwhile, the employers had learned to use collective bargaining as a means for promoting company-dominated unionism. It was in this situation that Senator Robert Wagner of New York conceived the idea of the National Labor Relations Act, based on the revised Section 7A of the National Recovery Act. Legally, Section 7A and the provisions of the National Labor Relations Act forbidding coercive practices were almost identical. The socio-political settings in which the acts operated, however, differed considerably; no framework of national emergency legislation was attached to the N.L.R.A., which was, therefore, to be accepted or rejected on its own merits. And that is exactly where the controversy started.

Section 5 of the National Labor Relations Act, dealing

with 'interference, restraint or coercion,' drew the most concerted attack from the United States Chamber of Commerce. Its spokesman, Henry I. Harriman, contended that 'industrial harmony and well being demand that employer and employee should frankly discuss their mutual problems, including the form of shop organization that should be set up. Each group should have the right and duty to properly influence the other by reasonable agreement, but not by threat or coercion . . . Fairness and true Americanism demand that both the employer and the unions should have equal right, without coercion, to influence the employees.'¹⁴ According to this argument by the representative of the Chamber of Commerce, the provision concerning coercion is an attack on the employers' rights. In the spirit in which the bill was drafted, however, the coercion provision is a mere counter-measure to the great misuse of prerogatives on the part of the employer. It is not always easy to define, of course, what constitutes coercive practice in the sphere of labor relations. Experience gained by all sides—by the employer, employee, and the administrative agency—may help as time goes on to develop a conception of coercion that could be accepted as a useful addition to common law practices.

In the light of the decision of the Supreme Court upholding the constitutionality of the National Labor Relations Act, the anti-coercive provisions of that law provide fair trade practices applicable to any commercial contract.¹⁵ In this spirit, the N.L.R.A. could be considered a third step in the founding of a democratic marketing government for American industry. The Clayton Act, the Norris-LaGuardia Anti-Injunction Act, and the N.L.R.A. cleared the legalistic road for a social adjustment of the Marketing Order to the corporate structure of American industry. The sovereign

rule of the early industrial entrepreneur was tolerated by the hired laborer because of the steady increase in number and variety of employment opportunities. The worker submitted to this rule, as the artisan had to the early rule of the ecclesiastics, i.e. for the economic benefits realized by that submission. When these benefits were more and more outweighed by the effects of social maladjustments, the worker of the later industrial period raised his autonomous voice as the artisan had in the late medieval period. The medieval ecclesiastics showed ample historical sense in recognizing the changed socio-economic conditions. They granted the artisan the autonomy he demanded and retained only nominal rights of supervision of the vocational life of the layman. This concession has been responsible for the extension of ecclesiastical rule during the centuries that have followed the challenging of its sovereign power.

Still demanding the maintenance of his omnipotent rule over industry, the American entrepreneur shields his claims behind the emblem of liberty as conceived during the era when feudal society was dissolving. Carl Snyder, in *Capitalism the Creator*, upholds the right of continued sovereign rule for the industrialist on the basis of his past achievements. But this view does not take sufficiently into account the techno-economic changes induced by the concentration of industry. The *Economics of Overhead Costs*, by John Maurice Clark, should have demonstrated to every student of economics the far greater importance of the inflexible long-term maintenance costs as compared with the short-term flexible expenditures. For the German industrial economist, Schmalenbach, was certainly justified in calling the age of agglomerated industry the era of fixed costs. In this period, economic adventure, the main contribution of the entrepreneur, has been sharply restricted because of the enormously greater risk involved under the new technology.

This loss of his function should logically call for a limitation of the entrepreneur's social prerogatives. In this connection a re-dedication of the symbol of the Social Contract may well take place. The challenging social force at this period is not Locke's collective of agriculturists, but the collective body of industrial laborers.

THE BARGAINING UNIONIST

AT A TIME when the manufacturer had thrown off the bonds of artisanship and had vigorously undertaken the tasks of an expanding industrial capitalism, the worker resorted, as we have already seen, to organizations like the Knights of St. Crispin and the Knights of Labor. Only after the manufacturer had realized that the competitive expansionist period was declining did the worker begin to understand that the artisan shop had ceased to be the mainstay of the social structure. In the words of Samuel Gompers, the worker accepted the fact 'that we are living under a wage system.'¹ The concept of just price, based on custom and authority, was given up by this admission, and Gompers made it clear that he did not believe that 'the workers could definitely say what proportion they received in payment for their labor.'² The social function of the labor organization became the wage bargain. The new functional basis of labor organization was thus firmly established. Yet it remained only formal in nature, defining neither the social structure of the labor organization nor the kind of laborer for whose benefit the bargaining should be carried out.

The fundamental feature accompanying the development of trade unionism has been the constantly advancing progress of technology. The process by which the former artisan was transformed into an industrial laborer was technologically a gradual one; starting with the driving ma-

chines and climaxed by automatic work machinery, it did not take place all at once. The acquired skill of the artisan had already been reduced in importance in the period of manufactories; its significance had been further limited by the assistance that the machine gave to the work process. By the time the American Federation of Labor had appeared, unskilled laborers were important as feeders of the driving machine, but their number comprised only a fraction of the total number of laborers. Despite all the traditional regard for the skilled artisan, the idea of a general re-establishment of the mechanic as a master, the aim that had dominated the thought of the Knights of Labor, was definitely given up by the leaders of the new American unionism. This unionism, which grew under the leadership of Samuel Gompers, was a protective organization for journeymen who were expected to stay in that social capacity during their whole lifetime. If a journeyman happened to become a master in his own right, he became a capitalistic manufacturer and was regarded as an outsider by the organization of mechanics. But this social differentiation did not move A.F.of L. unionism wholly out of the sphere of medieval artisan concepts. Gompers did try at first to draw as far as possible away from these. He even used revolutionary class-struggle slogans as aids in his task of adjusting the organization of the emerging industrial laborer to the changing socio-historical scene. But his attempts to make the trade associations of American workers an integral part of the Marketing Order were only half-hearted; they were not supported by organizational practices. The heritage of medieval artisan concepts, which had borne so heavily on the fate of the Knights of Labor, made itself felt also in the A.F.of L., which many of the Knights joined after the eclipse of their own order.

The effects of this burden may be clearly seen in the atti-

tude of the new organization towards skill. The emphasis placed on skilled trades appears in the attention accorded to the regulation of apprentices in the statutes of the various unions joining the American Federation of Labor. Although, in successive years, the pressure of the unskilled upon the craft union became more and more intense, the emphasis of the A.F.of L. unions hardly changed. It continued to be on raising of the level of the unskilled to that of the skilled, rather than on turning the focus of interest to the unskilled. This aim remained largely an unfulfilled wish, and the struggle with the helpers who did not qualify as apprentices vividly illustrates the growing discontent among the workers excluded from the benefits afforded by the craft unions. From the outset, the policy of the executive bodies of the A.F.of L. was to limit any organizational activity by the unskilled.

Advancing technology continued, however, its course of undermining skill in industry. The challenge to skill became a greater threat as the years passed. Even the skilled backbone of A.F.of L. unionism had to adapt itself to the continual technological innovations. The past thirty years in the history of building trade unionism are full of records revealing that, after a brief period of resistance to the introduction of machinery, the craft unions had to accept the fact of technological innovations if they wanted to secure work at all. The craft unionists have had to accept changes, not only in the process of production, but also, in some instances, in the very materials on which their former craftsmanship was based. Only by stretching the interpretation of jurisdictional rights could the original craft unions preserve their existence, e.g. as Haber has shown with the carpenters: 'In the struggle for jobs, the general policy adopted by the union of carpenters had been to claim jurisdiction over work formerly done by them irrespective of the fact that the

material was no longer wood. For instance, doors, moldings and trim were at one time wood; the carpenter made and hung them. Now doors and trim are often of metal. Yet the carpenter maintains that he has a "vested interest" in these tasks and lays claim to the erection of the new material.'³ The very fact that the supposed craftsman has to work on materials previously unknown to him clearly indicates that the traditions of artisan workmanship are steadily passing away.

The fate of craftsmanship even in the conservative and inefficient industries, e.g. the building trades, is doubly suggestive of the havoc technology is creating with craftsmanship and skill. A reconsideration of the idealization of skill is becoming an urgent necessity. It is not a coincidence that art and artisanship are almost synonyms. And 'unskilled,' in the original sense of the word, meant not only that one had not received training; it signified in addition that one lacked sufficient artistic ability to create a masterpiece of artisanship. The mechanical process of industrial production makes no demands upon the artistic ability of the worker; it requires only a degree of efficiency adjusted to average physical endurance. Moreover, artisanship stands for an unchangeable way of producing, while the production of modern industry is determined by ever-changing rational technological devices. It would aid greatly in the clarification of the issue if 'skilled' were stricken from the vocabulary of modern industry and replaced by 'trained.' *

Adam Smith, who first envisaged the birth of industrial society, saw it only emerging. His example of the need for co-operation in the production of pins illustrated the technical assistance that one worker gave another during the process of production. In the manufactories, participating work-

* This suggestion should be particularly noted by the director of the U. S. Occupational Census.

ers helped each other to learn the necessary routines. In industrial enterprises, however, technical co-operation between workers is possible only through the medium of the machine, which sets the pace of production and simultaneously blocks direct work contacts between workers. Any demands of a technical or economic character pertaining to the utilization of the machine have to be addressed to its owner. Out of the realization that these demands were most effective when presented by the workers collectively grew the collectivistic spirit of trade unions. While this spirit was stimulated by technological advancement, the ideological burden of artisan-guild collectivism bore heavily on the emerging organization of the industrial worker.

Despite the continuing decline in the importance of skill, craftsmanship remains the basic organizational principle of A.F.of L. unionism. The A.F.of L. convention of 1934 made this particularly clear in reaffirming that: 'We consider it our duty to formulate policies which fully protect the jurisdictional rights of all trade unions organized upon craft lines.'⁴ This reiteration was made in the face of concerted opposition arising from the many millions of 'unskilled' and unorganized workers who had persistently been kept outside of the A.F.of L. William Green had characterized the socio-economic bearing of the problem by stating: 'Much complaint has been directed against craft organizations because little regard has been given to the problem of the unskilled workers. It is becoming more and more urgently apparent that, if unskilled workers are forced to work long hours and for low wages, the interests and welfare of the skilled workers are constantly menaced thereby.'⁵ Green made this statement when he still represented the mine workers. After he succeeded Gompers as president of the A.F.of L., he used the constitution of the latter body, formu-

lated at the end of the '80's, to expel the champions of the unskilled from the Federation.

The cause of the unorganized unskilled has found champions in experienced labor leaders imbued with a progressive social vision. John L. Lewis, president of the United Mine Workers, assisted by Sidney Hillman, president of the Amalgamated Clothing Workers, and a score of other progressive union leaders, shaped the organizational structure of the new unionism into the Committee for Industrial Organization. Later, the name was changed to Congress of Industrial Organizations. It is historically understandable that the new industries should have come to the fore in the new organizational drive, the automobile workers taking the lead. The old established unions of mine workers and clothing workers happened to form the nucleus of the new organization because of the important role played by their respective presidents, Lewis and Hillman, in the direction of the new integral body.

The C.I.O. has challenged the A.F.of L. on the ground that an institution that rests upon craftsmanship as such has outlived its usefulness in the machine age. The partial preservation of the latter is possible only because in some industries technological innovations have been hampered. The complete rationalization of production in all industries and in all processes will eventually eliminate the basis for craft unions and will provide the foundation for the organization of all American workers by industries. Thus the C.I.O. is the first attempt to form a really industrial organization of American workers in accordance with the principles of the Marketing Order. A.F.of L. unionism ultimately regards not the occupational performance but the status in a corporate body as the determinant of social relations. The realization of this principle depends, in turn, upon the relative rank of privi-

leges traditionally bestowed upon the respective corporate bodies. It is an expression of an immobile social order based on traditional artisan methods of production. The industrial laborer, on the other hand, has been born out of the inventive spirit that created the industrial revolution. Consequently, the bonds of corporate tradition have been replaced by the bonds of work co-operation in the industrial process. This logico-historical shift has not yet been fully realized, in A.F.of L. unionism, the leaders of which still employ the emblems of the old glory of artisanship to encourage their membership. This use of symbols of the pre-industrial past is viewed sympathetically by many a captain of industry who still likes to fancy himself as a master artisan among his work force of fraternal journeymen. And these social views provide a fertile basis for the reinstatement of neo-ecclesiasticism. Some A.F.of L. leaders, and a considerable number of the rank and file, are critical of the neo-artisan social outlook. But this divergence of views within the A.F.of L. has not yet produced any change in the representative thought of its constituent bodies.

Contrary to Stolberg's and Harris's assertions,⁶ the Marxian pattern is not a dominant factor in the ideological background of the C.I.O. leadership or membership. Allan S. Haywood, a leading C.I.O. representative, has stated candidly that: 'The C.I.O. doesn't possess a magic wand that it can wield to change people's make-up or conception of life.'⁷ This wise statement reveals a major shortcoming of the whole conception of unionism, a shortcoming that is conditioned by the deliberate limitation of its social scope. A people's 'conception of life' cannot be confined to the struggle for daily bread. Human beings in the course of their history have never fought for their economic existence on mere economic grounds. The broader issues of human life, in particular political aims and social objectives, have

always framed the struggle for economic survival. And this is exactly the point where the ideological issue enters the picture. The limitation of the social scope of unionism to the economic sphere represented by 'pure and simple unionism' may not have been of so great significance when the liberalistic mode of life could be taken for granted in the United States. At present the socio-economic dislocation of the world forces Americans to redefine their social outlook. This is a challenge that no group in the United States can afford to ignore; in this era of transition the deepening of social insight on the part of the unionized worker and his leader becomes imperative. A socio-philosophical crisis impends in the evolution of American unionism that is far more threatening than their present organizational dissensions. The closing of the organizational gap between the C.I.O. and the A.F.of L. will not by itself put American unionism on a sound socio-historical path. Re-education of the whole union membership with a view to gaining a new 'conception of life' will constitute a major problem long after the settling of the organizational feud.

This conception of life will have to grant as much recognition to the social and political aspirations of labor as to the economic problems. The need for a laborer's view of life has been dramatically expressed by John L. Lewis during the last United States presidential election. He sounded a cry of despair over the fact that labor in the most industrialized nation in the world had not grown up yet to its own way of thinking. The new president of the C.I.O., Philip Murray,* may find reassurance on the possibility of promoting a laborer's view of life in the opinions of the newly elected Vice-President of the United States, Henry

* Philip Murray and M. L. Cooke, in their *Organized Labor and Production*, regard the labor problem as a task of managerial direction. So limited a scope of analysis allows for only incidental discussion of the social and political issues involved in labor relations.

Wallace. In his former capacity as Secretary of Agriculture, the latter, in conjunction with M. L. Wilson, constantly emphasized the need for the farmer to view agriculture as 'a way of life.' The promotion of a broader social outlook for the lifetime laborer lies within the same pattern of thought.

A specific problem of organization is presented by the white collar worker. Samuel Gompers thought him beyond the reach of labor organizations, commenting bluntly: 'Show me two white collar workers on a picket line and I'll organize the entire working class.'⁸ This statement was made at a time when the economic system in America was still on an up-grade, and when employment in the service industries was therefore particularly accelerated. John L. Lewis, who came into prominence in the period of the decline of the economic system, when an army of unemployed white collar and professional workers presented themselves, took a different view. He thought of 'extending into the ranks of the professional, technical and white collar workers the organizational activities of American labor.'⁹ Early in the great depression that began in 1929 certain spokesmen for the technical workers began to think of themselves as the vanguard in the organization of society. This 'technocratic' movement reflected Thorstein Veblen's thesis in *The Engineers and the Price System*, which extends the engineering managerial point of view to the whole social system. Like Henry Ford's faith in technological reorganization as a universal socio-economic solvent, this program ignored the social conflict raging outside the inner discipline of the factory, and neglected the social forces that make for institutional changes. The realization of the technocratic blueprints would supposedly depend merely upon technical skill and ability. Disregarding any bargaining front, this conception is based on the same premise as Fordism, which identifies technological advance with social progress.

The technical and clerical employees have been socially educated to some extent by the depth and length of the depression. They have realized that employment and unemployment are as much a problem to the white-collar man as to the industrial worker. One of the most articulate spokesmen of this new direction of thought was Heywood Broun, who declared that 'The snobbishness of the white collar group is on the whole exaggerated. If clerks, newspapermen, accountants and professional men have been slow in organizing, it has not been altogether because of reluctance. It is rather an inability. We have neither the tradition nor the training . . . A very considerable proportion of white collar workers are ready now to join the parade of organization if only space is assigned to them.'¹⁰ And space was assigned to them by the extension and intensification of union activities among the clerical working force and certain technical groups, such as engineers and draftsmen. The unions of white-collar workers show, however, less stability than do the industrial unions. The bond between employer and employee tends to be stronger in the white-collar sphere than in the field of industrial labor, since the possibility of advancement to the top of the managerial hierarchy is not altogether excluded, although it may be very slight. The tie between the office clerk and the highest managerial official is also strengthened by the fact that, technologically, they perform the same type of work. The most 'skilled' industrial worker is, on the other hand, separated from the lowest clerical worker by a technological difference in type of work. These obstacles to the organization of white-collar workers have been, to some extent, responsible for the very slow path of organization.

The social heritage of the remnants of the hierarchical feudal society has a distinct bearing upon the status of the white-collar worker. Historically, a distinct hierarchical dis-

tance was maintained between the clerk, the successor of the learned clerk, and the artisan, unlearned in books. Literacy was a privilege until the introduction of general education. The town clerk at the beginning of the secular era had taken over this privilege from the monk. Reading and writing were shrouded with mystery for those who did not have direct access to book learning, and the clerk thus took over for himself the same sense of dignity that was accorded to the monk. This claim for the privileged position of the clerk lost much of its foundation when general public education was introduced; and the basis for the formerly exclusive status of the clerk was further weakened when his working place was extended beyond that of public office and a few privileged trading companies. The clerk became swallowed up as a routine element in all spheres of economic activity, and, particularly, in the sphere of mass production. Despite these basic social changes, the contemporary clerk and the successor of the unlearned artisan, the literate industrial worker, still keep at a distance from each other. In the American phrase, they like to live 'on different sides of the railroad track.'

When Adam Smith observed the birth of industrial society he was justified in treating the clerk as a negligible social force. But the singular rise of the service occupations in the course of industrial development has transformed the clerk into a major stratum of industrial society. In Marx's view, the clerical worker, although still assigned a subsidiary social role, is placed on the same level as the industrial worker, so far as exploitation is concerned. This view offers a basis for a common class consciousness of both worker and clerk. The general difficulty that Marxism faces is the correlation of the doctrine expounding the objective factors of class consciousness with the concrete consciousness of the individual. It is particularly difficult to promote a spirit

of class struggle among clerks who live in a world of political and social romanticism. Not much less of a problem is presented in moving the clerk into the bargaining pattern. While large sections of industrial workers continue to live in the ideological tradition of medieval artisan society, the clerk's point of view is still that of the early era of mercantilistic prerogatives. The entrepreneur who promises the return of the era of the princely merchant finds a willing follower in the clerk who dreams of a restoration of his once privileged position. The awakening from this romantic dream may prove very painful. The German clerk, imbued with political romanticism, was among the earliest supporters of National Socialism. In the Nazi state, however, he was presented with a forced membership card in the Labor Front, where he has to share a common place with the industrial worker. The frantic efforts of the clerk to separate himself from the industrial worker cannot prove successful in the long run in any industrial society, since they have no foundation in his social and economic position.*

* A peculiar position is held by the servants of the state, the governmental officials, and teachers in publicly supported institutions. In their official capacity, they are specifically pledged to uphold the existing institutional set-up, and for that reason they enjoy the privilege of civil service tenure. As citizens-at-large in a liberalistic society, however, they are free to join any legal organization and to express any lawful opinion. The dualistic character of the public servant was less pronounced in the early period of the Marketing Order, when the official was a servant of the crown and the teacher was under direct supervision of the church.

SOCIAL SECURITY

AMERICAN INDUSTRIAL SOCIETY has been confronted with the task of industrial unionization at a period when free marketing as a regulator of the economic process has broken down. In contrast to the periodic economic slumps of the era of industrial expansionism, the present economic dislocation in the United States is essentially structural. This structural change was inaugurated by the first World War, which in effect destroyed the economic balance among the leading industrial countries of the world. The balance of trade and the balance of payments—keystones, according to Smith and Ricardo, in regulating international economic development—have ceased to function as such. Since the depression of 1929, the internal American market has not been able to offer full recompense for the lack of profits derived from colonial and semi-colonial countries. In effect, the unused industrial capacity of American industry and the unused American capital funds have mounted to such proportions, and have remained idle for such a long time, that the very existence of the Marketing Order is threatened. Self-adjustment of economic dislocations, which had already been questioned by Sismondi and Malthus at the time of the genesis of industrial society, seems to have become almost inconceivable at present. But resistance to economic interference by the state authority, as advocated by Ricardo, is still widespread. The claims of the contemporary disciples

of Ricardo are still backed by Say's argument proposing free marketing as a cure-all for economic evils. These late American Ricardians do not realize, however, that Say's claim for a competitive merchant economy was already outdated at the time when he first voiced it. For all practical purposes, the controversy on political intervention in economic life has been narrowed down to the question of which social forces should control the exercise of political authority.

The displaced workers, the most numerous and hardest hit victims of the structural economic dislocation, had themselves embarked upon mass action. In the early days of the depression, they set up councils of the unemployed and organized hunger marches on Washington. Such self-expression by the unemployed served notice that the victims of the economic disaster did not intend to forsake their rights as citizens, and these efforts, as shown by M. A. Hallgren, helped to force governmental action. Without 'street demonstrations and hunger marches of the Unemployed Councils, no relief would have been provided in some communities, while in others even less help than that which has been provided would have been forthcoming.'¹

The self-expression of the unemployed gained in organizational strength after the Federal government embarked upon a system of public works supplemented by direct relief. The various unemployment councils then united in one organization, the Workers' Alliance, which saw before itself an immense task; for it had not only to protect the unemployed, but indirectly to defend the employed against the pressure of the vast reserve army of the unemployed. The trade-union leaders had recognized clearly this solidarity of interest of the employed and unemployed. William Green made the point clear in a message to the second convention of the Workers' Alliance. He suggested 'that the fullest degree of cooperation possible be established between . . .

state federations of labor and the representatives of the unemployed groups,' in order 'to establish and maintain the prevailing wage, to guard against so-called security rates, and low wage standards.'² Replying to this statement, David Lasser, one-time chairman of the Workers' Alliance, declared that 'the American Federation of Labor will find the Workers' Alliance of America side by side in every struggle.'³

The right of the relief workers to organize has been recognized by the Administration in the following proclamation: 'No worker shall be denied the benefit of the work program because of his affiliation with any labor unions, or with leagues, councils, or organizations of the unemployed, or because of any petitions filed or any complaints made to the Works Progress Administration . . . No worker may be discharged because of his beliefs or affiliations.'⁴ In its organizational efforts, the Workers' Alliance attempted to open negotiations with the Works Progress Administration to establish the Workers' Alliance as the sole collective bargaining agency for WPA workers nationally and to secure a written agreement to that effect.⁵ These efforts have so far not been successful.

Efforts to weaken the organization of the unemployed have not been wanting. Among the most dangerous threats is that of the curtailment of the right of suffrage. The New York State Economic Council, representing groups of small merchants, has stated that it 'favors withholding from all persons receiving public unemployment relief the right of suffrage during the period in which such relief is received.'⁶ Such pronouncements have been repeated more and more frequently. Attempts were made to apply pauper laws existing in fourteen states to make this proposal effective. These are attempts to drive American society back in the direction of the feudal era of the fifteenth and sixteenth centuries.

At that time, the guilds of master and journeymen struggled for the preservation of the privileges they had gained two centuries previously. A means of maintaining the shattered structure of medieval guildism was the onus of pauperdom placed on anyone who disregarded the rules of the guilds or the customs of the feudal lord. The traditional preindustrial method of production assisted in the maintenance of the established social bonds. A compensation for adherence to the traditional principles was assistance for the distressed individual by the corporate body of master artisans. No comparable corporate institutions exist in American industrial society. The unceasing flow of technological innovations inaugurated by the industrial revolution has swept away the structure of corporate artisan privileges. To balance the threat to place the onus of a pauper's status upon the technologically displaced worker, no alternative social compensation can be offered. The industrial laborer does not occupy any privileged position in American society, even when he works.

The organizational efforts of the unemployed are a countermove against the attempts to place the onus of pauperdom upon all those who are unable to secure private employment. It is significant to note that unemployed white collar workers have been more eager to organize than unemployed manual workers, quite contrary to experience with the employed. Also, women are particularly active in the unions of the unemployed. Of further significance is the ascendancy of some Negroes to executive and semi-executive positions in the Workers' Alliance. In many such respects, the cohesion of social forces within the Workers' Alliance seems to be much stronger than in many unions of the employed. The school of want and distress through which all of the members of the Alliance have passed has strengthened the bond of mutual human sympathy, and at the same

time widened their social vision. The loyal adherence of the militant unemployed to the bargaining front can be expected to be maintained only under condition that an opportunity for mass re-employment in private industry be offered as a none-too-distant goal. Malthus's view on the reserve army as a 'natural phenomenon' could prevail among the unemployed only so long as unemployment seemed mainly periodical. If unemployment is to remain a chronic factor of major magnitude in American society, Marx's point on unemployment as a steadily growing companion of a technologically advancing marketing economy will receive historical confirmation for America.

The basis upon which all efforts of the Workers' Alliance rests implies a right that has not been directly provided in the Constitution of the United States, the right to work. John L. Lewis made this right explicit in proclaiming that 'One of the great principles for which labor in America stands is the right of every man and woman to have a job, to earn a living if they are willing to work.'⁷

The right to work was first proclaimed in Western Europe by Maximilian Robespierre, and was re-stated by Louis Blanc.⁸ The first proclamation expressed a demand for jobs for laborers who had been freed from feudal restrictions on their marketing movements. The second proclamation signified a protest against the first phase of technological displacement, caused by power engines. The present American restatement of the right to work is a protest against the second wave of technological displacement, caused by automatic machinery. The free marketing of labor power, which appeared to Robespierre as an act of liberation, has become almost a mockery in the course of technological progress. Social controls supplementing the supposedly perfect mechanism of the market have become a pertinent

necessity. These controls cannot be confined to the regulation of the labor market, the dislocation of which is only a partial aspect of the structural economic change. Governmental employment agencies can help to shorten the time necessary to place a man or a woman in an available job. Compulsory unemployment insurance can save the displaced worker for a limited period from the necessity to become a public charge. In view of the magnitude of the unemployment problem, the bulk of the recipients of unemployment-insurance benefits become eventually public charges, depending upon direct fiscal aid. Public works substituting and supplementing fiscal aid, old-age pensions, and special grants to young people in schools are all necessary measures to keep additional pressure off the labor market.

But all these measures for solving the problems of the labor market deal with the secondary effects of economic dislocation. In an attempt at a major causal analysis, some Ricardian economists try to put the blame for the basic economic ill on high wages. On the other side we hear a strong demand for higher wages by the purchasing-power theorists. The agitation for low wages is backed by the argument that it would free capital for investment. The agitation for higher wages is based on the argument that they will help in taking the commodity glut out of the market and thus provide stimulus for increased production. As Smith had wisely implied, in an order based on private ownership of the means of production, the consumers' interests are identical with those of the laborer, placing the producers' interests in the opposite camp. Smith was convinced of the workability of the competitive marketing mechanism as a means of national economic adjustment of any wage scale. Smith lived in an era when the market for consumer goods still played a dominant role. He could not have foreseen

that the problem of supplying productive industrial capital would in the course of technological development overshadow the marketing economy.*

In analyzing critically the impact of technology on the Marketing Order, Smith and Ricardo limited the scope of their inquiry to the process of production. It was not until Marx that the interrelation of the processes of production, distribution, consumption, and circulation was appreciated. In a further elaboration of Marx's interrelated analysis, it has been shown by Hilferding⁹ that the market of securities had replaced the market of commodities as a prime determinant of the economic process. And it is in particular this market of securities, as demonstrated by George W. Edwards,¹⁰ that shows signs of structural disintegration. The problem of supplementing private investment by fiscal financing has therefore become central.† This concerns not only a financing of public works but a financing of private industry as well. The Reconstruction Finance Corporation under President Hoover embarked on this road. The reorganization of the Maritime Commission and the creation of the Federal Housing Agency during the Roosevelt administration signifies the extension of fiscal aid to special industries. A further acceleration of the process of fiscal financing is presented in the American rearmament program.

The steady enlargement of the sphere of fiscal financing calls for an adequate apportionment of social controls if liberalistic democracy is to survive. In achieving this aim,

* The maintenance of the social balance between employer and organized employee in the era of Finance Capitalism is the main concern of J. R. Hicks's *Theory of Wages*.

† John Maynard Keynes, in his *General Theory of Employment, Interest and Money*, presents an interrelated functional analysis of economic institutions during the late stage of the Marketing Order. He does not, however, offer a complementary analysis of the socio-political issues involved in the problem of mass unemployment. His analysis has therefore no ideological significance.

the politicalization of labor will become a major issue. The vagueness of the attempts to form a marketing labor party in the era of American security capitalism may have been due to the veil that speculative gains, or, more correctly, expectation of speculative gains, threw over the whole structure of American society. The elimination of the market of securities as the determining force of American economy and society, therefore, is apt to make the specific social issues represented by labor appear clearer in the social scene. It may induce labor to demand its share not only in the economic field of bargaining but in popular political control as well.

III. REVOLUTIONARY UNIONISM

16

PARLIAMENTARY REBELS

THE CIVIL WAR swept away the last barriers to American industrial development. In the post-Civil War period, all social strata in America experienced the impact of rapid industrialization. Within these groups were many individuals who clamored for a return to conditions prevailing in the past. Labor leaders were no exception in this movement for the conservation of traditional symbols. In an earlier chapter of this book, for example, it has been demonstrated how Stephens and Powderly in creating the Knights of Labor relied on symbols of the pre-industrial past. There also appeared, however, other labor leaders, who were ready to accept new symbols for new social patterns. One of the pioneers in the movement towards a progressive reorientation of labor was Sylvis. He was aware that industrial labor required different organizational forms from those of its artisan predecessor. Contrary to Powderly, Sylvis discarded the ecclesiastical heritage and accepted the secular authorization of the social order without any reservation. In consequence he regarded participation in the exercise of the secular authority of the state as a proper medium for voicing social demands. He consciously threw the forces of labor into the political sphere, declaring that 'A new party must

be formed if we would win any lasting results, and it must be composed of the elements of American labor. We are shy of fighting the old political parties but it should not be so.’¹ Sylvis thought that all social evils could be overcome by legislative reforms. He thus placed the social struggle in the parliamentary arena. The organizational expression of Sylvis’s aims became the National Labor Union, the name of which signified political unification of labor, as over against the big contractual bargaining union whose activity is limited largely to the economic sphere. This was not a call for an integration of the economic and political aspects of unionism. It was, rather, an approach to a politicalization of unionism, leaving the economic aspect undifferentiated.

The constitutional preamble of the National Labor Union, adopted at a meeting in Baltimore in 1866, lamented ‘A rapid and alarming encroachment of capital upon the rights of the producing classes of the United States.’² In this proclamation, Sylvis sounded a distinctly Marxian note. He had been drawn within the Marxian orbit through correspondence with the International Workingman’s Association at the time when Marx himself was its intellectual leader. But the inaugurator of the National Labor Union found himself on common ground with Marx only in his recognition of the burdensome lot of the working man. He was far from seeing eye to eye with the originator of the proletarian Class-Struggle ideology in his analysis of complex socio-economic problems. In economic theory, Sylvis confined himself to monetary circulation. The declaration of principles of 1868 is directed at the establishment of ‘Money—the medium of distribution to capital and labor . . . upon such a wise and just principle, that instead of being a power to centralize wealth in the hands of a few bankers, usurers, middlemen, and non-producers generally, it shall be a power that will distribute products to producers

in accordance with the labor or service performed in their production . . .'³

This failure to regard money circulation as but one link in the complexity of the socio-economic process and, moreover, the omission of consideration of property were flat contradictions of the Marxian approach. Thinking that a controlled and managed inflation would achieve their social aims, Sylvis and his followers were in accord with a widespread movement growing out of the unsettled conditions of the Civil War and its accompanying inflationary measures. In the wide socio-political unrest of the greenback movement, the labor group represented by the National Labor Union was but a small link. The Union finally disappeared, along with the other naïve monetary reformers of the early post-Civil War period. The greenback movement embraced a variety of elements of the newly forming American industrial society. With all its rudimentary views on social relations, the movement represented a distinctly progressive force.* It aided in focusing the attention of the American people on the social impact of the money economy by discarding the traditional ecclesiastical view that temperance, diligence, and thrift were sufficient to insure economic success.

Sylvis's significance lies in the fact that he was the first to emphasize for American labor the importance of political rather than economic action, and to express this postulation in an organization. Although his movement paved the way for later attempts at parliamentary rebellion in the United States, the organizational structure that it provided proved weak. It applied in its strategy principles not evolved for utilization in labor organization. Sylvis did not realize that the social forces with which he wished to ally the National

* For a pertinent study of the economic effects of the 'greenbacks,' consult Wesley Clair Mitchell's *A History of the Greenbacks*, Chicago, 1903.

Labor Union were essentially opposed to any autonomous voice for labor. These forces quickly silenced the first attempt of labor to raise its own voice.

The political activity of American labor was renewed under the influence of leaders who emerged from the International Workingman's Association created by Marx. The response of American labor to Marx's appeal to the proletarians of the world to unite was greatly conditioned by the international implications of the Civil War. The moral support of the North voiced by British labor leaders and strong sympathy for the South expressed by British industrialists taught American labor leaders that consideration of national issues could not be severed from consideration of their impact upon the international scene. This fact was further illustrated by the fate of the French Commune, the fall of which threw a shadow on revolutionary movements all over the globe, including those of the United States. Among them, it acted as a death blow to the International Workingman's Association. Transplanting its headquarters from Europe to America did not save it from final extinction, and Engels had finally to admit the breakdown of Marx's pet organization in a letter to Sorge, the American head of the International.⁴

The experience gained by that first international body of workingmen, however, was not wasted; it activated the political forces of labor in America. A subsequent effort has been made to draw American labor into the pattern of Lassalle's ideas. Strasser and McGuire were prominent among those labor leaders who promulgated Lassalle's thought in the New World, and these views were embodied in the Social Democratic Working-Men's Party of North America. Its program called for manufacturing 'by free co-operative societies under democratic guarantees with government credit.'⁵ In contradistinction to Fourier and Owen,

who thought of building a co-operative society under the emblem of the corporate body of artisans, the co-operative venture of Lassalle relied upon the symbols of the Marketing Order. In consequence of his naturalistic approach Lassalle's appeal for state assistance for workers was not directed against the social and property basis of the established state; his plans, if consistently pursued, would have led to state capitalism, not state socialism. In its fundamentals such an order is not apt to differ from the present totalitarian regime in Germany, where economic life is fully regimented while the property basis of the social structure is retained. In Lassalle's time, however, individualistic liberalism had not yet outlived all its economic potentialities; one of the most potent offsprings of this era, the 'free trade' concept, had still to be consummated. In the atmosphere of individualistic optimism that had swept America, any call for state interference sounded like heresy, and the Lassallian Social Democratic Federation was stillborn under these conditions, hardly moving further than a proclamation of aims.

Out of the failure of Lassallianism emerged the American Federation of Labor. The leading American disciples of Lassalle realized that labor could effectively advance its immediate economic interests by promoting its marketing position, and Strasser and McGuire were most instrumental in building American trade unionism. The disintegration of the Knights of Labor offered a potential stream of workers with a demonstrated capacity for union organization. The organizational task seemed so immense to the fathers of American trade unionism, however, that they ignored the political issues involved, leaving the discussion of them to the Marxian socialists. Here was an opportunity for Sorge, the former head of the First International in the United States, to test his ability. He became a leader in forming

the Socialist Party, the first American national organization of Marxism. This organization represented orthodox Marxism in the sense that it placed particular stress on the dialectical interpretation of the historical process leading to revolutionary action. The close of the nineteenth century, however, was so rich in economic gains that establishment of the preconditioning factors for a revolution came to seem more and more remote. The unification and industrialization of Germany was proceeding at high speed after the Franco-Prussian War, almost simultaneously with the intensification of industrialization in the United States following the Civil War. Out of German industrial expansionism grew a labor ideology that challenged Marx's revolutionary view. Dialectics in social analysis was thrown overboard. Eduard Bernstein, the originator of Marxian revisionism, had declared that the economic interpretation of history and dialectics were not necessarily interrelated. This view accepted the social basis of the Marketing Order as an expression of the Law of Nature. Social change was limited to the framework of the existing social order; the possibility of a qualitative change in social direction was not recognized. German Marxism was transformed into socialistic liberalism, organized within the German Social Democratic Party. In America, the transformation of orthodox Marxism into socialistic liberalism found organizational expression in the re-organized Socialist Party.⁶ The international expression of liberalistic socialism was the Second International, the legalistic successor of Marx's revolutionary organization. The electoral campaigns of the Socialist Party, led first by Eugene V. Debs, later by Norman Thomas, did not, however, secure socialistic liberals any effective position in American legislative bodies, and American socialistic parliamentary rebellion has been conducted for the most part outside of the walls of the American parliament.

The legislative reformism of the Socialist Party in the past was ahead of American social and economic development. In the latest stage of American social development, previous to the outbreak of the second World War, American progressive liberals themselves have shown willingness to transform individualistic liberalism into collectivistic liberalism. Under the influence of liberal socialists, the League for Industrial Democracy, led by Harry W. Laidler, and the American Association for Social Security, led by Abraham Epstein, have done valuable educational work in preparing American public opinion for the necessity of broad liberal reforms.

Despite all the similarities in major social trends, there are some peculiar differences in the ways of social progressivism in America as compared with those of Europe. Although feudalism existed in the United States, its roots in the New World were neither so deep nor so extensive as in the Old World. Almost unlimited social mobility was much more characteristic of American society than it ever had been in Britain and Germany. Because of this conditioning factor, the forces interested in the conservation of privileges that had grown out of feudal relations were much weaker in America than in Europe. This distinction should be regarded as the main reason mass Liberal Socialistic parties arose in Germany and Britain without being imitated on so popular a basis in the United States. European Social Democracy, as a mass movement, is to be viewed more as a protest against the remnants of monarchical feudalism than as a challenge against the social inequalities inherent in the Marketing Order. With the acceptance of this thesis, the role played by Social Democracy in Europe can find but little parallel in America, which threw off the bonds of monarchical feudalism in its Revolutionary War. American Social Democracy, if it ever hopes to take part in a mass

movement, may have to drop its socialistic program altogether and join hands with the advanced elements of American democratic liberalism. Algernon Lee, president of the Rand School and intellectual leader of the New York Social Democratic Federation, is probably aware of this task. A farmer-labor party, as most recently envisaged by Robert Morss Lovett,⁷ lies within this range of social action as does the promotion of any other liberalistic progressive party marching on the road of gradual social (not socialistic) reformism.

The American Marxists who remained faithful to the conception of dialectical historical development formed the Socialist Labor Party. This organization, in the promotion of which Daniel DeLeon was instrumental, became a sounding board for inner-socialist ideological controversy in the first two decades of the twentieth century. The Socialist Labor Party was early drawn into the syndicalist controversy aroused by the creation of the International Workers of the World and in effect acquired a syndicalistic tint. In the period following the first World War the Socialist Labor Party has been embroiled in a debate over the role of dictatorship⁸ in the evolution of a socialistic state. The leaders of the Socialist Labor Party placed emphasis on liberalistic means for the attainment of the socialistic goal. In this controversy, the Socialist Labor Party was challenged by the Communist Party of the United States (emerging in 1920), which placed the socialistic ends above the means of its achievement. In adjusting its tactics to the changing historical background, the Communist Party of the United States reversed its party line on several occasions. This gave rise to tactical controversies. Some American adherents of orthodox Marxism, who saw exceptionally favorable conditions for the survival of capitalism in America, played down the revolutionary factors in American

society. Other Marxists, who regarded a socialist America as within reach, pleaded for an intensification of the revolutionary struggle. The ultra-moderates are represented by Jay Lovestone, in whose views we encounter reflections of the opinion of the late Bukharin, former leader of the right wing within the Russian Communist Party. The ultra-revolutionaries found their spokesman in Schachtman, who reflects the views of the late Leon Trotzky, for whom the Russian tempo of building a Socialist Soviet State was too slow. The main body of the Communist Party, led by Earl Browder, took a middle course between the right and left tendencies of the dissenters; * but so far effective mass support for the Communist Party has been lacking. The dissension among the various Marxist groups has greatly affected some of the most articulate leftist intellectuals in America. Although many creative Americans resorted to Marxism as a means to escape the perplexing realities of American life in the era of the great depression, few of them ever engaged in any serious study of Marxism. Others, more studious, had not given much thought to the historical conditions under which Marxism might be applied in the United States. Consequently, when the difficulties of propagating Marxian thought in war-scared America increased, we found former Marxist intellectuals among the most fervent attackers of the Class-Struggle ideology. The magnitude of the obstacles to any effort for Marxist mass action in present-day America is interpreted as failure of the whole system of Marxian thought. Typical of this literature is Max Eastman's query: 'Marxism, is it science?' These

* This analysis is valid only for the tactical controversy within the Communist Party; it does not apply to activities of the schismatic groups after they left the main body of the party. Following the split, the 'left-wing' schismatic group, influenced by Trotzky, revealed tendencies close to syndicalist revolutionism. The 'right-wing group,' carrying over views of Bukharin, came near to accepting the fundamentals of the Marketing Order in the form of 'state capitalism.'

short-distance attackers of Marxism do not consider that ideologies are supposed to affect the lives of more than one generation. It is not commonly realized that the systematic reformulation of social goals signaling a supreme human intellectual effort has been undertaken only three times in the course of the two thousand years of Western history. Ideologies lay down a plan for human action extending over many generations. The ideology of Harmony in the Estate, the ideology of Balance in Marketing, as well as the Class-Struggle ideology, cannot be discarded because of their failure to provide instantaneous cures for accumulated social evils. Marx himself appraised the time factor in history in the following pointed sentence: 'In . . . great developments—twenty years are but one day—and there may come days which are the concentrated essence of twenty years.'⁹

INTEGRAL UNIONISM

A PECULIAR FEATURE of American labor history has been the detachment of the trade-union movement from any political affiliation and in particular its aloofness from liberalistic socialism. In this respect American trade unionism presents a setting quite different from that of Great Britain. The difference in the historical setting out of which British and American trade unionism grew will explain the discrepancy. British trade unionism was closely connected at its birth with the political struggle of the Chartists, demanding the abolition of feudal restrictions on the franchise. American trade unionism, which was spared the political struggle for universal suffrage, came into being as a challenge to the growing economic power of the trusts; but the leaders of early American trade unionism represented by the American Federation of Labor did not realize that the economic power of industry combines is unalterably associated with their political power. It was this shallowness of insight that facilitated the intrusion of syndicalism, which identified economic and political action. The ideological roots of syndicalism originate in the principles of anarchism, first propagated by Bakunin.

Anarchist views have been disseminated in America since the earliest post-Civil War period. One of the first standard bearers of anarchism was Benjamin R. Tucker, who expounded philosophical anarchism for American intellectuals.

In discussing the scope of labor organization and labor strategy, Tucker found himself opposed by Johann Most, a German immigrant, who accused him of approaching anarchist doctrine from the standpoint of an outmoded social structure.* Most, influenced by Marx, considered continuous concentration of capital and production as the all-important process changing the industrial scene, while Tucker (leaning on Proudhon) looked to the revival of the individual producer and regarded the concentration of industry as only an incidental matter. Tucker's views, if carried out, would have led to the creation of small-scale individual production units, but Most's emphasis implied ultimate collectivization of the means of production. Tucker's outlook, moreover, did not necessarily involve revolutionary change, while Most's ideal society could only follow compulsory expropriation of the means of production. In contrast, therefore, to Tucker's preclusion of any violent means in the achievement of his social goals, Most was very active in propagandizing for revolutionary action.

Anarchistic conceptions were first applied to the labor movement of the United States by Parsons and Spies, who were influential in the Central Labor Union in Chicago. This was a time when the suppression of the railroad labor organizations had driven some sections of organized labor into the most radical camps. Parsons and Spies regarded 'the trade union as the embryonic group of the future free society.'¹ This view is reminiscent of Owen, who proposed voluntary co-operative undertakings as models of a new society; but, contrary to Owen, who relied upon the good example, Parsons and Spies called for relentless revolutionary action. The individualistic terrorism of Bakunin had been transformed into collectivistic terrorism by the leader

* See Benjamin R. Tucker, 'Herr Most on *Libertas*,' and other articles in *Instead of a Book*. New York, 1893, pp. 393-7.

of American activist anarchism, Most. But the basis for taking revolutionary action was not substantiated by any historical analysis. Individualistic, like collectivistic, anarchism relied upon the Law of Nature guarding the destiny of man. Any terroristic act was hailed as a revolutionary achievement. Any rioting could be interpreted in this view as the inauguration of a revolution. The Haymarket riot was a typical upshoot of this naïve revolutionism. The masses who participated in the Haymarket shooting may have thought that they were witnessing the outbreak of the American social revolution, but they actually witnessed no more than an act of local civil disobedience. This local act provided, however, sufficient ground for the eradication of the inspirers of anarchistic terrorism from the American scene.

In the rebirth of revolutionary activism in America, Marxism started to play a more prominent role. The creation of the Socialist Trade and Labor Alliance by DeLeon brought Marxism into contact with American trade unionism. The preamble initiating the Alliance² emphasizes that economic actions of trade unions are not in themselves a decisive political factor. In putting its aims into practice, the Trade and Labor Alliance became one of the initiating bodies of the International Workers of the World. In principle, the preamble of the I.W.W. embodied the DeLeon conception of parallel political and economic action. Tactically, however, it deviated from DeLeon's plan, which called for a definite affiliation with a political party and specifically with the Socialist Labor Party. The I.W.W. maintained its autonomous power over decisions on political affiliation from the very beginning, and DeLeon's policy of organizational dualism in political and economic labor action was completely reversed at the third convention of the I.W.W., which placed all political activity within the union itself. The political action of the worker was, according to

a representative view expressed at this convention, to be directed towards the goal of becoming 'so organized on the economic field that they can take and hold the industries in which they are employed.'³ Political parties were superfluous from this point of view, because any economic action would automatically become a political action. This decision signifies a break with Marxism and a definite endorsement of syndicalism.

Syndicalism placed the general strike in the center of revolutionary activity. As a preconditioning factor of the general strike, the trade unions were expected to develop into a nucleus of the future society. In this view Sorel, the intellectual originator of syndicalism, is in clear contradiction to Marx. The latter maintained that revolutionary trade unions within the framework of the Marketing Order can develop only as nuclei for revolutionary action. A change in the class basis of society, according to Marx, cannot be achieved without a direct challenge to the political institutions of the bourgeois state. Sorel, however, denied the necessity for any political revolution and relied solely on 'the drama of general strike,'⁴ which was supposed to unfold itself as a working of the Law of Nature. Moving within the same pattern as the intellectual leader of Marxian revisionism, Bernstein, Sorel discarded the dialectical conception of the historical process. He thus landed in the sphere of naturalistic evolution that characterized the reformist section of Marxian socialists. In consequence, Sorel had to delay the general strike action *ad kalendas graecas* and declare the social revolution an act of metaphysical intuition.⁵ *

In answer to the syndicalist challenge, DeLeon led a secession movement within the I.W.W. He succeeded in

* This line of thought is closely related to Bergson's arationalism.

establishing a rival I.W.W., with the aim of maintaining close relations with the Socialist Labor Party. This left the original body of the I.W.W. in complete control of the integral unionists led by St. John. The DeLeon faction of the I.W.W. differentiated itself from the original body of the I.W.W. both in its tactical and strategic aspects. Originally, DeLeon had distinguished his views from those of integral unionism only on tactical grounds, advocating organizational political autonomy; but the organizational rivalry forced DeLeon to choose a path differing not only in tactics, but in strategy as well. The DeLeon faction declared itself against direct action and sabotage. St. John, on the other hand, made no secret of advocating the strongest possible forms of action. In this St. John maintained the American tradition of anarchistic terrorism that he attached to the syndicalist aims. The St. John faction of the I.W.W. proved more successful than the DeLeon wing in attracting large numbers of workers. DeLeon drifted away from the strong-arm methods of St. John, but he was cautious not to over-emphasize the importance of the wages-and-hours struggle. Falling between two stools, the DeLeon faction of the I.W.W. quickly lost ground. It had waned before syndicalism received a devastating blow from the outside. The Colorado Fuel and Iron Company strike, which precipitated the birth of paternalistic unionism in America, was also used by the administration to deliver a knockout blow to the 'direct actionists.' The first World War period, following closely after, was a contributory factor in the intensification of governmental and extra-governmental activities directed against 'criminal syndicalism.' Changing the name of the DeLeon faction did not save it from complete extinction. And the St. John wing of the I.W.W., taken over by Haywood, continued only a shadowy existence, until quickly succeeding legalistic battles broke its

last strength. The temporary success of the whole I.W.W. venture can be credited to a great extent to the A.F.of L. policy of ignoring large sections of the American industrial working class, thereby providing fertile ground for rival organizational activities.

Revolutionism, and in particular union revolutionism, came back to America after the close of the first World War. This time it was the Communist Party that became instrumental in taking the lead. William Z. Foster, a former I.W.W. representative, assumed the leadership in promoting Marxian principles in the American trade-union movement. He first attempted to sponsor dual unions through the Trade Union Educational League.⁶ The propagandistic activity of the League proved a potent factor in stimulating organizational activities among the 'unskilled.' At a later phase the propagandistic Marxist activity was inserted into existing unions. This campaign was directed by a new organization, the Trade Union Unity League, which replaced the Trade Union Educational League.⁷ In this later phase, revolutionary tactics have been played down. In particular, the strike action was supported on its own merits and not as a means of revolutionary action.⁸ This move signified a definite turn from the syndicalistic heritage of American revolutionary unionism. The political role of the Marxian revolutionist within the union came to be directed mainly towards the election of union officials by militants. The movement tended to constitute more of an opposition group within the scope of bargaining unionism than a really revolutionary force. On the whole, the organization of the revolutionary forces moved more into the foreground while revolutionary action itself remained in the background. Such tactics were quite the opposite of those that had been used in the I.W.W. period of American revolutionism.

The I.W.W. presented the most striking historical venture

in American revolutionary unionism.* It demonstrates the fact that the abolition of institutions can never be obtained without the dissipation of the social groups on which these institutions rest. The success of an ideology aiming at the substitution of one set of institutions for another depends upon the comparative strength of the social forces backing the old and the new sets. The revolutionists of early post-Civil War America sought to launch a new order without paying much attention to the forces and ideological principles reinforcing the old. The immigrant character of the early American revolutionaries may account for their failure to comprehend the historical background of American society. The stoppage of mass immigration made the revolutionaries in America aware of the peculiar characteristics of the American scene—both the liberalistic democratic tradition and the vast techno-economic resources of the country.

The revolutionary struggle has been adjusted to the historical development of American society. Marxism does not indulge, as did syndicalism, in revolutionary romanticism. It emphasizes observation of changes in the social structure, economic conditions, and political forces. It is analytical in its essence, thinking in extended periods of time and basing its hopes on the dissipation of the social composition of the Marketing Order. Revolutionary force is to Engels merely 'the midwife of every old society when it is pregnant with a new one.'⁹

* For a detailed history of the I.W.W., see Paul F. Brissendon, *The I.W.W., a Study of American Syndicalism*. New York, 1919.

SOCIAL TRANSFORMATION

THE FINAL BREAKDOWN of the Marketing Order depends in Marx's view upon the intensification of economic contradictions arising out of the increasing difficulty of maintaining the rate of profit. This difficulty is brought about primarily by the increase in the ratio of capital invested in machinery (constant capital) to capital spent for labor (variable capital), an increase that accompanies the course of technological advancement of industry. Since surplus value, according to Marx, is derived from the share of capital spent for labor, the comparative basis for its realization steadily decreases. The Marketing Order becomes increasingly dependent upon surplus profits out of products of non-industrial labor and technologically backward production.¹ The poverty of the farmer within all industrial countries² and the general starvation level of the laboring population in all non-industrialized countries may serve as an illustration of Marx's reasoning on this point. The pace of technological progress is, however, affecting this last source of surplus profits by transforming pre-industrial social strata into industrial laborers. This in turn still further increases the pressure upon the shrinking basis for the realization of surplus value in the industrial section of society.

The social effects of the industrialization of non-industrialized sections of society is a crucial point in the Marxian

analysis of the dialectics of the social process. Within this view, the role of the middle class, representing an important segment of the non-industrialized section of the Marketing Order, assumes particular significance. The producing middle class constitutes, in Marx's interpretation, the remnants of the pre-Marketing Order—the town artisan and the freehold farmer—plus the remnant of those involved in the very beginning of industrialization—the small manufacturer. The disintegration of the economic position of these two major middle-class strata forms the basis for a division of society into two opposing classes: the industrial proletariat and the monopolistic industrialist.

The artisan position in American society was firmly established at the birth of the Republic. Benjamin Franklin, its most prominent intellectual representative, thought that the most useful members of society were 'ploughmen, smithes, carpenters, turners, weavers, tanners and . . . shoemakers.'³ In the following characterization by Franklin the economic strength of the artisan in the young republic is revealed: 'In America the rapid increase of inhabitants takes away that fear of rivalry and artisans willingly receive apprentices.'⁴ The traditional artisan method of production dominated the United States up to the post-Civil War period. Abraham Lincoln was therefore justified in stating that 'There is not, of necessity, any such thing as the free hired laborer being fixed to that condition for life . . . The prudent penniless beginner . . . labors for wages a while, saves a surplus with which to buy tools or land for himself, then labors on his own account another while, and at length hires another new beginner to help him. This is the just and generous and prosperous system which opens the way to all—gives hope to all and consequent energy and progress and improvement of condition to all.'⁵

But the transformation of the United States into the leading industrial nation of the world has effected a considerable change in the social composition. The lifetime industrial worker has become a major characteristic of America. The independent middleman who starts on his savings from his earnings and succeeds is becoming the exception rather than the rule. The middle-class man in town and country conducting his business under his own name is for the most part dependent upon the marketing terms imposed upon him by monopolistic industry and its financial mechanisms. A pertinent inquiry into the financial status of middle-class enterprises should reveal the exceptionally narrow profit margin and the incommensurably great risks under which the small man in America has to conduct his business. The failures and foreclosures investigated from the same angle could add much illuminating information. Still, the middle-class outlook is, up to the present, prevalent in American society. Not only the farmer and the small man in the town, but even the better-paid laborers still think of themselves as members of that harmonious society with equal opportunities pictured by Abraham Lincoln. These firm adherents of middle-class concepts do not realize that even at the time of the birth of the American republic, when artisanship in America had a sound economic basis, its role as the mainstay of society had passed away. The rise of the marketing economy since the fifteenth century elevated the colonial merchant to the highest place in the social ladder, and the artisan, still producing in the traditional way, was relegated to a secondary position in society. Since the introduction of the industrial methods of production, the middle class as represented by the farmer in the country and the small enterpriser in the town, has been pushed to the very periphery of the social structure. The fact that the middle-class outlook, despite the considerable decline in compara-

tive social position, is still prevalent in America is mainly a result of the fog aroused by speculation in securities. The smallest saver has been continuously encouraged in the illusion of possible participation in imaginary profits from speculation in industrial shares. This illusion nourished the spirit of the petty bourgeoisie, which thought itself steadily rising to the level of the big bourgeoisie. It was this kind of a mentality that obscured the division between the upper and the middle strata of the marketing society in the era of expansionist marketing industrialism.

This outlook on life has been sharply challenged by the decline of American security capitalism. The elimination of speculation in securities as a major factor in American economic life is bound to have a profound effect on the future social and political role of the American middle class and middle-class-minded labor as well. The late Huey Long and the Catholic priest, Charles Coughlin, can be regarded as spokesmen for the contemporary American middle class in its early stage of dissolution. In that section of the C.I.O. movement that leans towards the leadership of men like Joseph Curran of the Maritime Union and Michael Quill of the Transport Workers Union may be discerned the detachment of labor from middle-class aspirations. Forging of a link between the disillusioned elements of the middle class and those elements of American labor who freed themselves from the petty bourgeois outlook on life would seem to be a major task for American political genius. The difficulty herein lies in the tendency of the debased American middle class to expect the speculative flood once more to enhance middle-class aspirations. A bankrupt middle-class enterpriser usually does not discard his middle-class ambitions.

The industrial worker, on the other hand, can, by-and-large, be expected not to hold so fast to his petty bourgeois aspirations. The common fellowship in collective productive

effort, as contrasted with the individualistic economic activity of the enterprising middle-class man, aids the worker in gaining a more realistic view of his social position. An attachment of the debased middle class to a proletarianized labor movement can be made effective, however, only after a major section of American labor will discard its outworn ideal. If the proletarianization of labor in its outlook on life does not make major strides within the next few years, sections of the debased American middle class may shift the American political scene into a stage of readiness for a middle-class rebellion. Such a rebellion took place in Europe under the name of National Socialism and Fascism. These European middle-class movements intended to freeze the economic and social relations in order to save the middle class from continued disintegration. In thus essaying to arrest the tide of social development, the ideologists of these movements are tempted to draw upon the ideology of Harmony in the Estate.⁶ They should be reminded, however, that the order of Harmony in the Estate was established on the basis of artisan methods of production with equalitarian small ownership as its characteristic. The social structure, as the Nazis and Fascists found it, was, on the contrary, the result of marketing competition in an era of industrial agglomeration. Underlying the social direction of the Nazi and Fascist movements was the intent to preserve the existing basis of property distribution. This approach to social relations, although termed socialistic, constitutes the very denial of the principle of collectivistic ownership propounded by Marx. In the Marxian sense, National Socialism and Fascism are preaching pseudo-socialism.

The social and economic aims of the rebelling middle class are far from being achieved in Germany and Italy. For the assumptions of the pseudo-socialistic ideology do not prove valid in the setting of the late Marketing Order. The

static presumption on which contemporary pseudo-socialism is based could not have proved valid even in the late medieval period, when the artisan setting of society underwent its first stage of disintegration. The freezing of the social balance in an industrially patterned Marketing Order is wholly preposterous, since preservation of the late Marketing Order is contingent upon the acceleration of the rate of accumulation of wealth. If this process of acceleration is arrested, the economic basis of the Marketing Order is deprived of its source of self-perpetuation—surplus capital. The means for producing surplus capital on a nationally sufficient basis were taken from Germany by the combined effects of the 1914-18 war economy and the expropriating measures decreed at Versailles. Security capitalism was only kept alive in post-war Germany at first by an inflationary panic and later by an injection of a dose of ill-secured foreign capital. After the flow of foreign credits ceased, the lingering German security capitalism finally collapsed with the advent of Hitler.⁷ While the big industrialist freed himself from the domination of the security market and made the banks serve his interests, this institutional change, favored by monopolistic industry, was of little advantage to the small enterprising man. The tenet of credit without interest, propagated by Gottfried Feder,⁸ author of the Nazi party program, had to be discarded at an early period of Nazi rule. In its medieval origin, this tenet was based on the communal obligation of the guild to grant charitable credit to a fellow artisan in times of economic distress. The contemporary middle-class entrepreneur does not demand consumption credit to feed his family; he is rather interested in the enlargement of the profit-making basis of his enterprise. He is thus not opposed to the maintenance of the credit institutions of the Marketing Order, and is critical only of the abuses of the credit system by big business.

That the favoring of big credits over small is an inherent characteristic of the era of monopoly capital is of course not quite clear to the middle-class entrepreneur with his limited economic outlook. Neither could the German peasant foresee that the decreed immobility of land would not lower the level of his previous indebtedness, but would weaken the basis for future credits. To the white-collar following of the Nazi party, who envisioned a business of their own within easy reach, it must have come as a shock to learn that even the number of established small enterprises had to be reduced because of the increasing shortage in raw materials and consumer goods. The elimination of the middle-class enterprises owned by Jews provided no relief at all, and an accelerated rate of utilization of capital funds for the financing of militarized industry made the whole national economic basis of the Third Reich shrink.⁹ These enormous investments could not be expected to be paid for out of the national income, but had to be charged to the capital fund of the nation.¹⁰ As a result, the banks and the stock exchange were reduced to the position of a clearing house for the transfer of fiscal funds to big industrial enterprises, with some crumbs left over for distribution among the regimented small enterprises.

The shrinking base of capital accumulation in a Marketing Order contracts in turn the bases for economic existence for all social groups comprising a national economy. Big business gains become curtailed, as do the gains of small business—as do also the wages of labor and the economic surplus of the farmer. All social groups of Nazi Germany as well as of Fascist Italy see the basis for their economic existence as constituent groups of the Marketing Order failing. The middle class in particular sees all its pretensions of economic independence in the Marketing Order utterly

shattered. We are witnessing a general disintegration of the Marketing Order culminating in a war that intensifies the process of social decomposition. National Socialism and Fascism, conceived as petty bourgeois movements to save the Marketing Order, are in their effect accelerating its decay. This contradictory result is characteristic of the fate of all counter-revolutionary movements that try to fall back on outlived conceptions as a means of forestalling an advanced outlook on life.

Is it conceivable that the United States may set out on the road mapped by the German middle-class rebellion? The argument that American social trends are not comparable with German social development can hardly be accepted so far as essential features are concerned. America, like Germany, is characterized by an advanced industrial society with a technologically determined monopolistic basis of distribution of wealth. The contributing factors in the rise of Nazism—the military defeat in 1918 and the post-war inflation expropriating the savings of the middle class—could to some extent be imitated in America. British military defeat would be regarded by large sections of American society as America's own defeat; inflationary results of the vast American rearmament program could follow in due time.

As a counter-argument, the wide discrepancy between the amount of accumulated capital in Germany and the United States might be suggested. But this argument could hardly hold in the face of the realization that it is not the amount of accumulated capital but rather its readiness for reinvestment that is of genuine economic importance. To Marx, idleness of surplus capital is a particular characteristic of the Marketing Order.¹¹ With this qualification, a parallel between the economy of pre-Hitler Germany and

that of contemporary America remains valid. Nevertheless there are quite tangible distinctions in the degree of the deceleration of the working of the Marketing Order in this country and in pre-Hitler Europe. America may be facing another stage of temporary imperialistic stabilization in a redivided world. If this is so, the United States may become one of the dominant world empires with added sources of capital accumulation in colonial and semi-colonial areas. Economically the American middle class and middle-class-minded labor may in this way be assured of another lease of life. But the decomposition of the middle class in the outside world will have powerful political and social effects on the middle class in the United States. The world Marketing Order born with the discovery of America has arrived at a late stage of its development. The hundred and fifty years of *laissez faire*, throughout which the United States lived as a sovereign nation, have served as a steppingstone for the industrialization of the Western Hemisphere. The concentration of technologically advanced industry has become a powerful challenge to the liberalistic way of life. The era of industrial combines calls for a co-ordination of the processes of production, consumption, and circulation. Such a co-ordination, if it is carried out under the condition of preservation of private ownership of the means of production, will lead to a situation in which the social and economic power of the leaders of big industry will be implemented with their own specific political power. The middle class and middle-class-minded labor will have in turn to suffer a reduction of their political role, which will be reduced in accordance with their dependent social and economic position.

Such is the socio-political pattern of Nazism and Fascism regardless of the particular pseudo-ideological superstructure. Whether or not such a course of social development

can be prevented in America, or whether, at least, its effects can be ameliorated, will depend largely upon the ingenuity and comparative political strength demonstrated in the near future by those sections of the American middle class and middle-class-minded labor that have remained faithful to the liberalistic doctrine.

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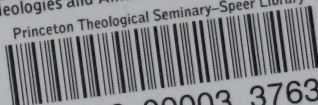
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